

IN THE MATTER OF a consultation by the Ontario
Energy Board on the Cost of Capital for Electricity
Distribution Companies

**RESPONSE OF BLUEWATER POWER DISTRIBUTION CORPORATION,
CHATHAM-KENT ENERGY, NEWMARKET HYDRO LTD.
and WELLAND HYDRO-ELECTRIC SYSTEMS CORP.
TO THE QUESTIONS OF THE SCHOOL ENERGY COALITION
FOR ALL PARTICIPATING LDCs**

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.

All LDCs have filed their audited financial statements with the Board, and this information is publicly available.

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.

The question is overly broad and irrelevant. LDCs' RoE and capital structures currently are based on the last Board-approved amounts in each case. Any other pertinent information from LDCs' business plan documents, or about their business planning and prioritization processes, will be contained in their most recent rate filings with the Board. The additional documentation requested will shed no light on the impacts of future changes to these matters.

3. If your LDC has carried out a merger or acquisition of an LDC since 2001, 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.

LDCs who have been involved in mergers or acquisitions have filed any relevant information as part of their MADD application filings with the Board in each case, and this

information is publicly available. Any further analysis prepared by an LDC with respect to a proposed or potential transaction is, by its nature, so highly confidential and transaction-specific, that its production, even under strict confidentiality protections, would be very likely to irreparably prejudice either the completion of the transaction, or the interests of one or more of the parties therein, or both.

4. 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.

This question is not relevant. The question should not be whether Board Staff's proposals have specific negative impacts for Ontario LDCs. Rather, the question should be whether there is any evidentiary basis to move away from the current regulatory regime, or to support Board Staff's proposals on their merits. We believe no such evidentiary basis has been offered in this consultation.

5. 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 Dunn and Bradstreet within the last 18 months, please file the last full rating from each rating agency, plus any updates since that full rating.

The question is overly broad and irrelevant. Any pertinent information from or about LDCs' ratings will be contained in their most recent rate filings with the Board.

6. 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.

The question is overly broad and irrelevant. LDCs' capital structures currently are based on the last Board-approved amounts in each case. Any pertinent information from or about recent changes in LDCs' equity will be contained in the relevant rate filings with the Board.

7. 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.

The question is overly broad and irrelevant. LDCs' rates of capital investment for 2000 to 2005 reflect the Board's determinations of what constitutes prudence and a reasonable rate of return in each case. Any pertinent information about resulting changes in LDCs' capital investments will be contained in the relevant rate filings with the Board. Mr. Camfield's testimony refers to the possible impacts if a less than fair return is established in future, and this issue is before the Board in the 2006 EDR process. The information requested is therefore not relevant to this consultation.

8. 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.

This question is not relevant. Any pertinent information about LDCs' public debt will be contained in the relevant rate filings of the relevant LDCs with the Board.