



October 11, 2006

VIA EMAIL & OVERNIGHT COURIER

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Cost of Capital (EB-2006-0088) – Written Responses to Questions from other Parties

This letter covers our submission to the Board of the following written responses to questions received from other parties to this consultation:

1. Answers to Transcript Undertakings given by Energy and Environmental Economics Inc. (E3) at the technical conference held on September 19, 2006;
2. Answers of Newmarket Hydro Ltd. to questions of Chatham-Kent Hydro Inc. dated September 27, 2006;
3. Answers of Newmarket Hydro Ltd. to the Questions of Board Staff; and
4. Answers of Bluewater Power Distribution Corporation, Chatham-Kent Hydro Inc., Newmarket Hydro Ltd., Middlesex Power Distribution Corp. and Welland Hydro-Electric Systems Corporation to the Questions of the School Energy Coalition for All Participating LDCs.

The last of these enclosures is the result of consensus discussions among a group of LDCs, currently including Bluewater Power Distribution Corporation, Chatham-Kent Hydro Inc., Newmarket Hydro Ltd., Middlesex Power Distribution Corp. and Welland Hydro-Electric Systems Corporation (the "Distributors").

In addition to providing parties with those Answers, the Distributors have had the opportunity to review the responses of the Electricity Distributors Association (the "EDA") with respect to the Board Staff questions. We are generally supportive of the EDA position in their responses. We would supplement the EDA answers with the general comment that any discussion of the adverse impact of the Board Staff proposal for a "one-size fits all" capital structure should not be relevant. We do not believe it is pertinent for the Board to assess whether the Board Staff

Proposal has negative impacts on LDCs. Rather, we believe the Board should be asking whether the Board Staff Proposal is supported on the evidence and correct as a matter of policy.

We believe the only way the OEB can properly reassess the current capital structure regime is to undertake a proper, evidence-based analysis of the need for a size-based risk premium for smaller LDCs. Accordingly, the Distributors have arranged to work together with Dr. Roger Morin to address the issue of the need for a size-based risk premium in our October 27, 2006 submission. Unfortunately, time and Dr. Morin's schedule have not permitted that to take place to date, nor can we be ready to present this input by October 17th. Nevertheless, we intend to bring forward Dr. Morin's analysis through our final submissions on October 27th, and it is our intention to present his formal testimony in any subsequent proceeding in which a Panel of the Board is convened to hear full evidence on the important issue of the LDCs' cost of capital.

Although all of the Distributors are generally supportive of the responses of the EDA, the enclosed specific responses are intended to provide additional information that may be of some benefit to the Board and other participants in their consideration of these important issues. In addition to these efforts, Chatham-Kent will be providing its own further responses discussing information and opinions that they believe will be of assistance.

Yours truly,

A handwritten signature in cursive script, appearing to read "Iain Clinton", written over a horizontal line.

Iain Clinton, CA
Chief Financial Officer

IC/tg
Encls.