IN THE MATTER OF a consultation by the Ontario Energy Board on the Cost of Capital and 2nd Generation Incentive Regulation for Electricity Distribution Companies.

TECHNICAL CONFERENCE REPLY TO QUESTIONS

OF THE

SCHOOL ENERGY COALITION

BY GRIMSBY POWER

Grimsby Power is a small sized utility with limited resources. Unfortunately, time constraints and other activities do not permit us to answer all questions. However, we will attempt to address questions we believe we are qualified to do so now.

Our responses are beneath each question posed by 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.

Grimsby Power files the trial balance annually with the OEB. It is our understanding that this is a matter of public record and it is available through the OEB.

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.

Grimsby Power Board approves a budget on an annualized basis. We attempt to limit controllable expenses to the rate of inflation now, 2006. Previously, we have attempted to flat line expenses. Capital expenses are increasing as we attempt to continue to rebuild the infrastructure. Part of the increase in capital is due to expansion of infrastructure to deliver power from a new source. We forecast future controllable and capital expenses. However, they are not approved by our Board until the year prior to their occurrence.

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.

Grimsby Power has not.

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.

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.

Grimsby Power has a promissory note, which is owed to the Town of Grimsby. In December 2003, the Town was required to subordinate the promissory note in favour of a third party vendor as a condition of a loan. The loan was necessary to partner with a neighbouring LDC to construct a new transformer station to meet customer needs. Collectively, we were able to share the risk and reduce costs by partnering. In my discussions with the third party vendor as it related to the question, they are uncertain as to how they are going to proceed as both the debt coverage ratio could be offside on the covenants and the stamping fee charged as a risk premium may increase. This therefore equates to an unknown risk element should the current structure\regulations change. For business reasons the transformer station was set up as a different company. However, Grimsby Power is required to guarantee the loan.

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.

Grimsby Power is not rated.

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.

Grimsby Power has not had an equity investment. However, we asked our third party vendor October 4th, 2006 to loan us the monies to eliminate the promissory note. We were rejected.

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.

Year	Capital Expenditure
2000	$ 795,057
2001	946,909
2002	952,780
2003	1,740,543
2004	1,563,943
2005	1,303,415
2006 (projected)	1,833,500

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

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.

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.

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.

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.

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.

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.

Attached as an Appendix.

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.

Tier 1 adjustments	Affects	Dollar Value
CDM	Rate Base	137,250
Cost of Power	Rate Base	193,770
Total Rate Base		$331,020
OEB Annual Dues & other agency costs	Distribution	14,623
Pensions	Distribution	(13)
Insurance	Distribution	(2804)
Low Voltage	Distribution	126,869
Amortization(from CD&M)	Distribution	5,490
Total Distribution Expenses		$144,165