Deloitte.

Newfoundland and Labrador Hydro

Report on Findings of Jurisdictional Review
October 6, 2006

FINAL

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Background

The Need for a Jurisdictional Review

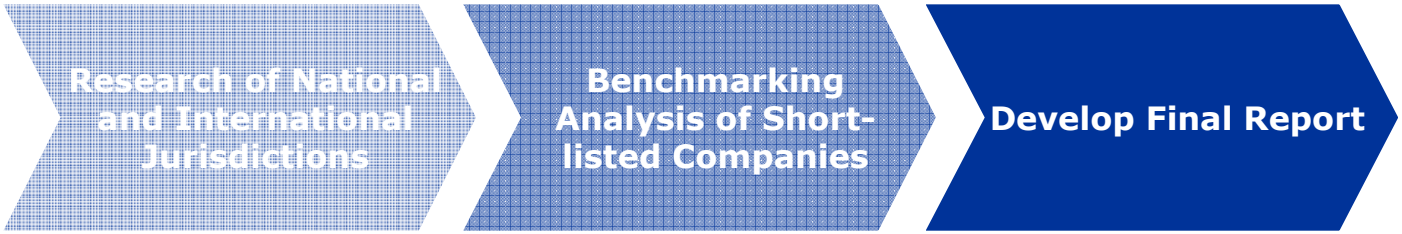
- Newfoundland and Labrador Hydro ("NLH") is in the process of developing a restructuring plan (the "Plan") to meet an expanded mandate, which will include (but not be limited to):
  - Development of Lower Churchill Falls;
  - Exploration of oil and gas partnership opportunities; and
  - Development of Wind Power projects.

- Key objective of the Plan:
  - Create an organization, with strong governance and access to capital to fully develop all of the energy resources of the province.

- NLH identified the need to complete a review of national and international jurisdictions ("Jurisdictional Review") to:
  - Gain an understanding of organizational structures used; and
  - Learn from others on what has worked / not worked; and
  - Determine 'the art of the possible'.

The Deloitte Engagement

Deloitte has been engaged to complete the Jurisdictional Review.



Key Activities

Phase 1

- Identify long list of companies in Canada, the US and Europe
- Select parameters of analysis with input from NL Hydro
- Collect publicly available information for the purpose of screening
- Develop short list of 6 to 8 companies by screening on parameters of analysis
- Present interim results to NL Hydro for input

Phase 2

- Identify regulatory framework, governance standards, ownership structure and shareholder dividend policy
- Determine key financial metrics
- Identify regional priorities
- Assess financing structures and market view on government guarantees, parent / subsidiaries, company financing and construction financing
- Map organizations to the current and future state of NL Hydro
- Interview short listed companies

Phase 3

- Conclude research
- Synthesize key findings from research
- Develop final report including presentation of company research and key findings

This report presents the findings of the Jurisdictional Review

Research of National and International Jurisdictions

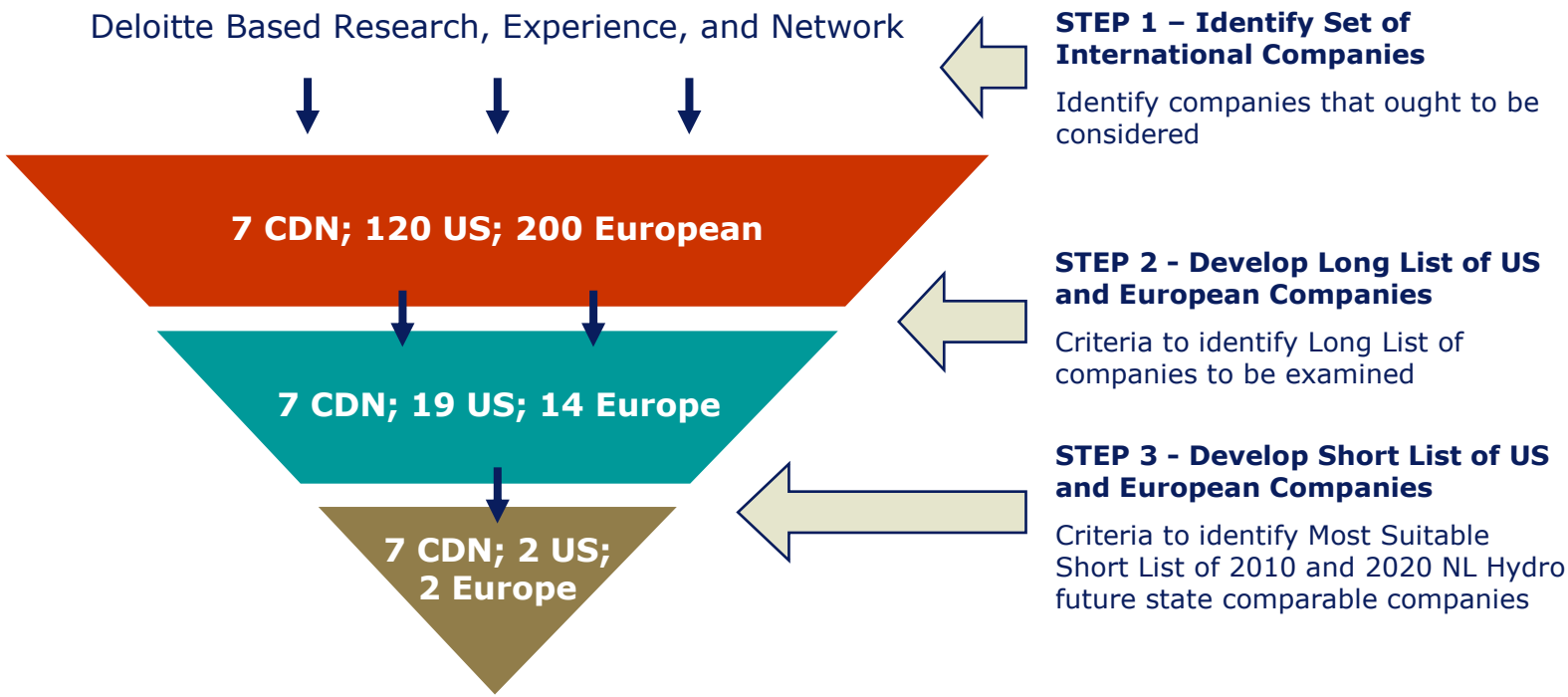
Methodology

The selection of comparable companies used the following elements.

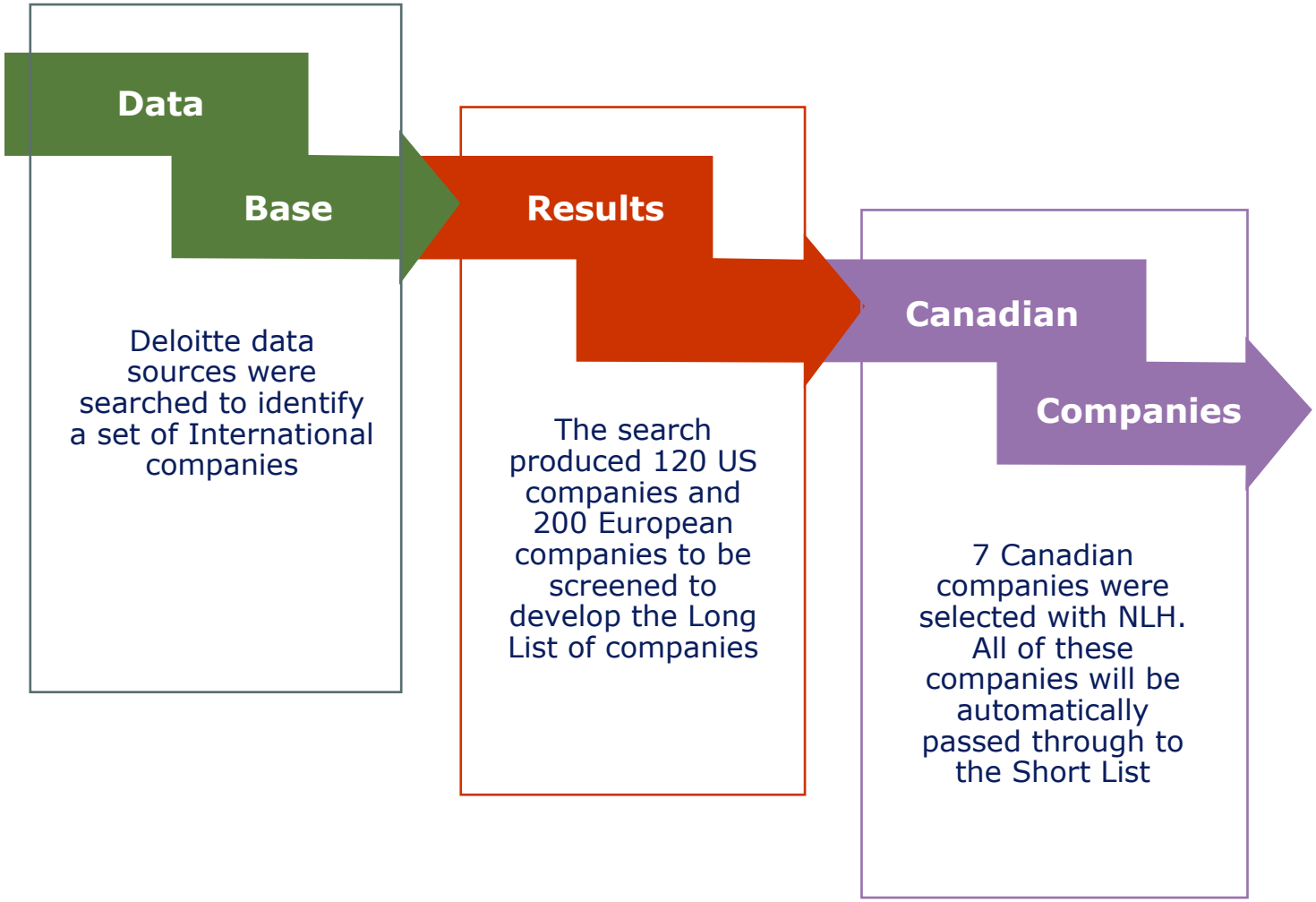
The Screening Analysis	The screening analysis was developed to reduce the universe of potential comparisons to a set of directly relevant comparisons – the Long List of Companies
Identification Of Long-list Of Companies To Be Considered	Identified over 320 US and European companies for consideration, and 7 Canadian companies (the Canadian companies automatically passed through to the Short List)
Analysis Of Long List Of US And European Companies	Developed criteria with NLH to reduce the set of 320 US and European companies to a Long List of 33
Development Of Short List Of US And European Companies	Development of Short List of US and European Companies

The Screening Analysis

The following model illustrates the screening process. A list of over 320 companies was reduced to 11 Most Suitable comparisons. The 7 Canadian companies selected at the outset were automatically considered Most Suitable comparisons.

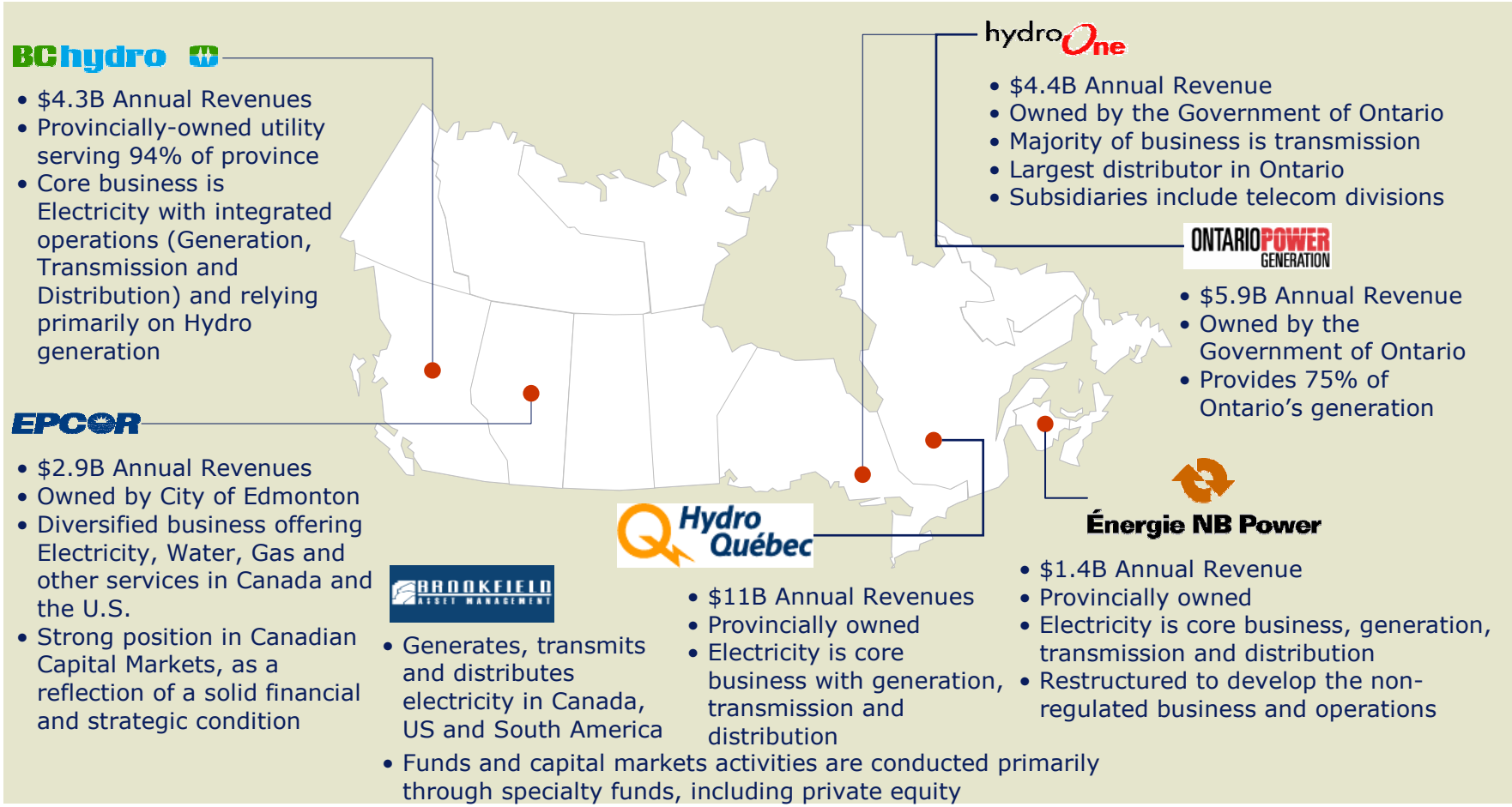


Step 1 – Identify Set of International Companies
Methodology



Step 1 – Identify Set of Companies
Canadian Companies

The following Canadian companies were selected with assistance from NLH. These will be considered in the analysis of Short List of companies (Refer to Appendix C for other Canadian companies not included in the Short List)



Step 2 – Long List of US and European Companies
Methodology

The following criteria were used to reduce the set of over 320 US and European companies to a Long List of comparable companies for detailed analysis.

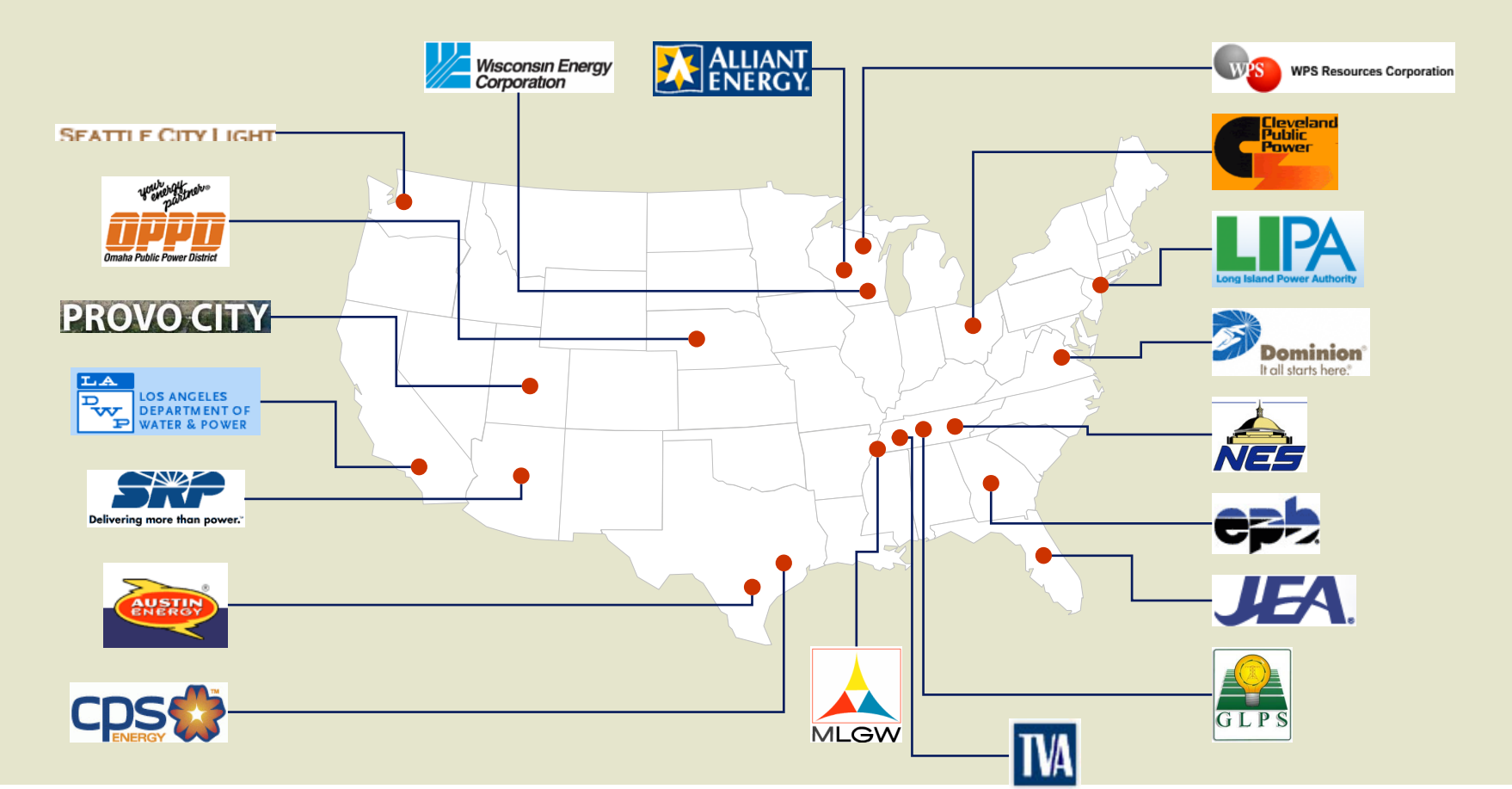
- Broad identification criteria - companies should:
  - Be owned by Government;
  - Have electricity as core business;
  - Include transmission, generation and distribution; and
  - Be diversified in energy or utilities.

- Results of screening exercise:
  - Long List of 19 US companies; and
  - Long List of 14 European companies.

Step 2 – Long List of US and European Companies

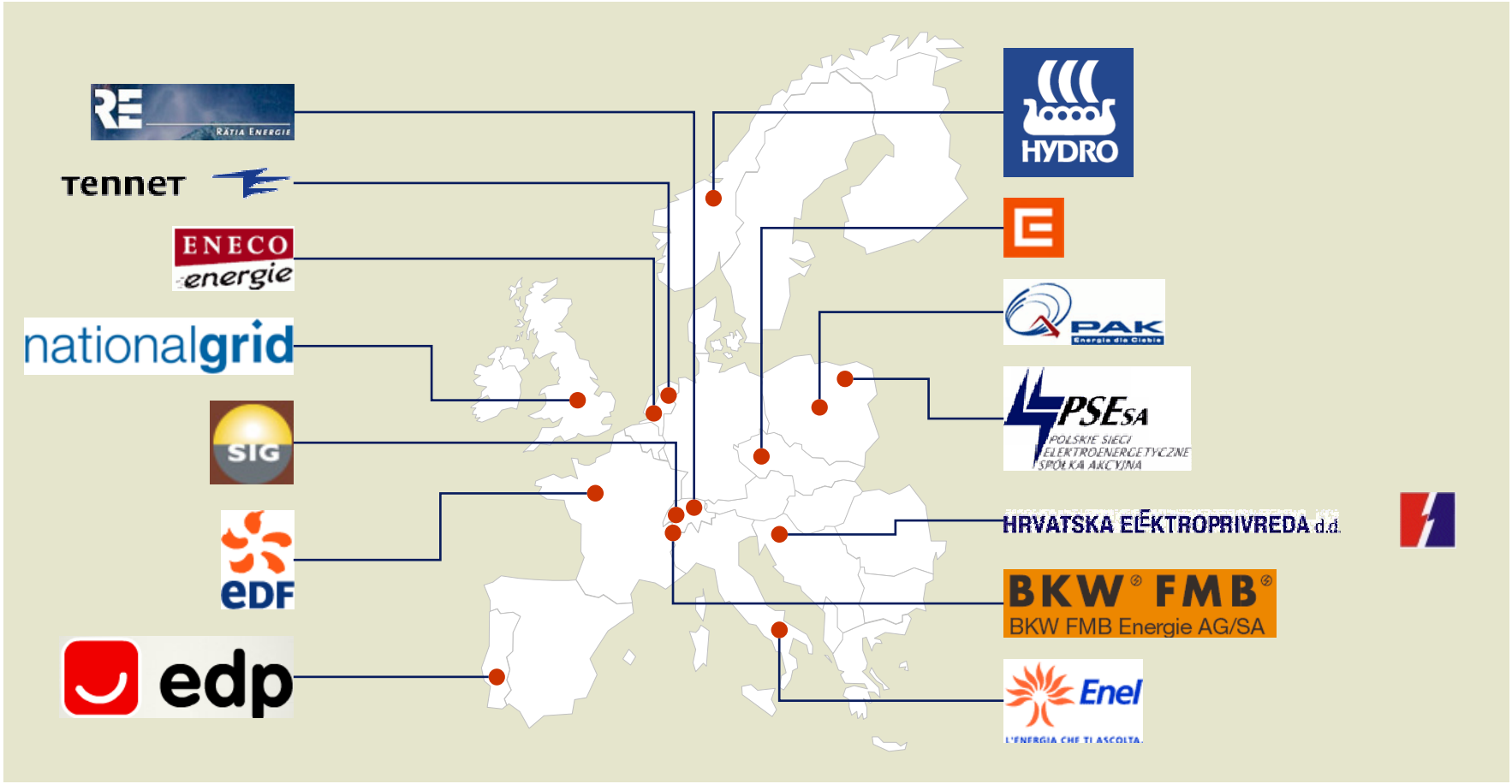
The Long List of 19 US Companies

The following US companies were selected and analyzed for consideration for the Short List (refer to Appendix D for details).



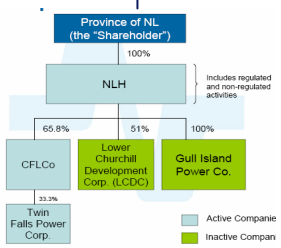
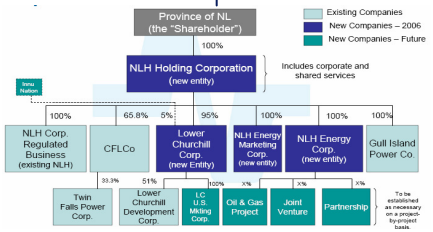
Step 2 – Long List of US and European Companies
The Long List of 14 European Companies

The following European companies were selected and analyzed for consideration for the Short List (refer to Appendix A for details).



Step 3 – Short List of US and European Companies
Methodology

Companies were selected for the Short List on the basis of their comparability to the 2010 and 2020 future states of NL Hydro. The criteria for this analysis was developed by identifying key elements of the 2010 and 2020 future states of NLH.

	2006	2010	2015	2020
Organizational State				
Consolidated Debt: Equity	70:30	→ 67:33	→	60:40
Debt Rating	Rely on Gov't	→ Investment Grade	→	Investment Grade
Capital Investments		$2.3 billion	TBD	
Scope of Business	Status Quo	→	Revenue from Wind Power and Lower Churchill Falls	→ Oil and Gas Revenues
Consolidated Revenue	$570 million	→ $665 million	→	TBD

Step 3 – Short List of US and European Companies
Screening Criteria for NLH 2010 Future State

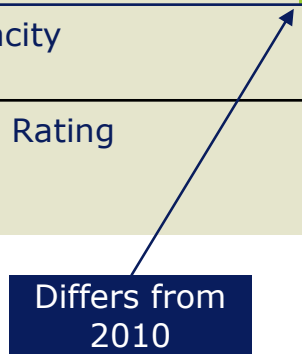
These criteria were applied against the analysis of the Long List of companies (Appendix D) to identify the Short List of companies for the 2010 future state of NLH.

Category	Criteria	Factors
Ownership Structure	Government Ownership	• The extent to which the company is owned by a Government entity
Nature of Operations	Diversification and Scope of Services	• Core business is electricity with some diversification
	Regulatory Regime of Market	• Revenue generated primarily from regulated rate base with minimal exposure to market factors
Size	Customer Base	• In the order of 500,000 electricity customers (direct and indirect)
	Revenues	• Total revenues in the order of $650 M
	Capacity	• Total electricity generation capacity in the order of 10,000 MW
Financial and Strategic Position	Debt Rating	• The extent to which the company is an independent entity with strong governance and acceptable risk profile

Step 3 – Short List of US and European Companies
Screening Criteria for NLH 2020 Future State

These criteria were applied against the analysis of the Long List of companies (Appendix D) to identify the Short List of companies for the 2020 future state of NL Hydro.

Category	Criteria	Factors 2020
Ownership Structure	Government Ownership	• The extent to which the company is owned by a Government entity
Nature of Operations	Diversification and Scope of Services	• Core business is energy including, electric, gas and oil subsidiaries
	Regulatory Regime of Market	• Revenue generated primarily from un-regulated businesses with significant exposure to market factors
Size	Customer Base	• In the order of 1,000,000 electricity customers (direct and indirect)
	Revenues	• Total revenues greater than $1000 M
	Capacity	• Total electricity generation capacity in the order of 10,000 MW
Financial and Strategic Position	Debt Rating	• The extent to which the company is an independent entity with strong governance and acceptable risk profile



Step 3 – Short List of US and European Companies
Identification of Appropriate US Companies

Results. Four companies from the Long List are appropriate comparables for either state.

Company	Suitability to 2010 State				Suitability to 2020 State			
	Ownership	Nature of Operations	Size	Financial and Strategic Position	Ownership	Nature of Operations	Size	Financial and Strategic Position
Los Angeles Department of Water and Power (LAWP)	●	●	○	●	●	○	●	●
Austin Energy	●	◐	●	●	●	◐	○	●
Wisconsin Energy Corporation	○	◐	◐	●	○	●	◐	●
WPS Resources (WPSR)	○	○	◐	●	○	●	◐	●
Long Island Power Authority (LIPA)	●	●	◐	●	●	○	◐	●
Memphis Light, Gas & Water Division (MLGW)	●	●	●	○	●	○	○	○
Greenville Light Power Systems	N/A	N/A	N/A	○	N/A	N/A	N/A	○
Provo City Department of Energy – Provo City Power	N/A	N/A	N/A	○	N/A	N/A	N/A	○
Nashville Electric Service (NES)	●	◐	●	●	●	◐	○	●
Seattle City Light	●	●	●	○	●	○	○	○
Omaha Public Power District	●	●	●	●	●	○	○	●
Electric Power Board of Chattanooga	●	◐	●	●	●	○	○	●
Salt River Project (SRP)	●	●	◐	●	●	○	◐	●
CPS Energy	●	◐	●	●	●	◐	◐	●
Jacksonville Electric JEA	●	◐	●	●	●	○	○	●
Cleveland Utility (fix name)	●	N/A	N/A	◐	●	N/A	N/A	◐
Alliant Energy	○	○	◐	◐	○	●	◐	◐
Dominion Resources Inc.	○	○	○	◐	○	●	●	◐
Tennessee Valley Authority	●	●	◐	●	●	◐	●	●

Legend:
- **Suitable**
- **Most Suitable**

Step 3 – Short List of US and European Companies

Identification of Appropriate European Companies

Results. Five companies from the Long List are appropriate comparables for either state.

Company	Suitability to 2010 State				Suitability to 2020 State			
	Ownership	Nature of Operations	Size	Financial and Strategic Position	Ownership	Nature of Operations	Size	Financial and Strategic Position
Enel SpA	◐	○	○	●	◐	●	●	●
Electricidade de Portugal	◐	◐	○	●	◐	◐	●	●
National Grid PLC	N/A	◐	○	●	N/A	◐	●	●
Polish Power Grid Co.	●	●	◐	○	●	○	◐	○
Services Industriels de Geneva	●	◐	◐	○	●	◐	◐	○
Ratia Energie AG	◐	◐	●	○	◐	◐	○	○
ZEPAK	◐	●	●	○	◐	○	○	○
Tennet Holding B.V.	N/A	●	●	○	N/A	○	○	○
BKW FMB Energie AG	◐	●	●	○	◐	○	○	○
Eneco Holding N.V.	●	◐	◐	●	●	◐	◐	●
NORSK Hydro	◐	○	○	●	◐	●	●	●
Electricite de France	◐	◐	○	●	◐	●	●	◐
HEP Hrvastka Elektroprivreda	◐	●	◐	◐	◐	◐	●	◐
CEZ Group	◐	●	◐	◐	◐	◐	◐	◐

Legend:

- **Suitable**
- **Most Suitable**

Step 3 – Short List of US and European Companies "Most Suitable" for 2010 State

Two companies were selected from Slide 17.

- **Tennessee Valley Authority (TVA):**
  - Owned by the Government of Tennessee;
  - Core business is electricity;
  - Strong governance, and highly rated (AAA (S&P), Aaa (Moody's));
  - Its major market is primarily regulated, with some participation in unregulated markets; and
  - Recently went through a restructuring process.
  - NOTE: Will not be considered as a 2020 Most Suitable company based on the fact that it has no Oil and Gas Diversification.

- **Omaha Public Power District:**
  - Owned by the State of Nebraska;
  - Core business is electricity with integrated operations (generation, transmission and distribution);
  - Strong governance, and highly rated (AAA (S&P), Aa3 (Moody's));
  - Size comparable to NLH in 2010 (US$691 M in Revenue); and
  - Operates in a primarily regulated market.

Step 3 – Short List of US and European Companies "Most Suitable" for 2020 State

Two companies were selected from Slide 18.

- **Norsk Hydro:**
  - Minority ownership (44%) by the Ministry of Trade and Industry in Norway;
  - Core business is Energy, with focus on Oil & Gas;
  - Revenue generated from both regulated and unregulated businesses;
  - Significant size as a result of its diversification and focus;
  - Publicly listed company with access to Capital Markets with strong credit ratings (A- (S&P), A1 (Moody's); and
  - Strong governance.

- **Enel SpA:**
  - Minority ownership by the Italian Government (Ministry of Economy);
  - Core business is Energy with focus on Electricity and Gas;
  - Revenue generated from both regulated and unregulated businesses; and
  - Publicly listed company with access to Capital Markets with strong credit ratings (A+ (S&P), Aa3 (Moody's)).

Step 3 – Short List of US and European Companies
Not "Most Suitable" for the Short List

The following companies from Slides 17 and 18 were excluded from the Short List.

- **CPS Energy (US):**
  - Owned by the City of San Antonio, TX;
  - Core business is electricity with integrated operations (generation, transmission and distribution);
  - High credit ratings (AA (S&P), A1+(Moody's));
  - Intermediate size (US$1.7B) between NLH today and NLH 2020; and
  - Highly viewed as one of the top municipality utilities in North America.

  - ***Why not among the Most Suitable firms for 2010 State?***
    - Size is much larger than NLH (US$1.7B) with integrated Gas Operations.
    - Operates primarily in an unregulated market (but does not have significant competition).

  - ***Why not among the Most Suitable firms for 2020 State?***
    - Size – low level of diversification.
    - Benefits from an unregulated market with no competition

Step 3 – Short List of US and European Companies
Not "Most Suitable" for the Short List

The following companies from Slides 17 and 18 were excluded from the Short List.

- **CEZ Group (Europe, Check Republic):**
  - Owned partially (68%) by a government institution, National Property Fund;
  - Core business is electricity with very well integrated operations (Generation, transmission and Distribution);
  - Significant geographical diversification;
  - Reorganized and restructured over the past few years;
  - Significant size, however annual revenues < US$10B; and
  - Satisfactory Credit Ratings (BBB+ (S&P)).

  - ***Why not among the Most Suitable firms for 2010 State?***
    - Size is much larger than NLH (US$6.1B).
    - Not a strong credit rating.
    - Operating in regulated and unregulated markets.

  - ***Why not among the Most Suitable firms for 2020 State?***
    - Not diversified into other businesses.
    - Large portion of its business depends on primarily regulated markets.

Step 3 – Short List of US and European Companies
Not "Most Suitable" for the Short List

The following companies from Slides 19 and 20 were excluded from the Short List.

- **Eneco Holding (Europe, Nederland):**
  - Owned by several government institutions (municipalities);
  - Core business is Energy with focus on Electricity, Gas and Heat;
  - Significant size, however annual revenues < US$10B; and
  - Strong Credit Ratings (A+ (S&P)).

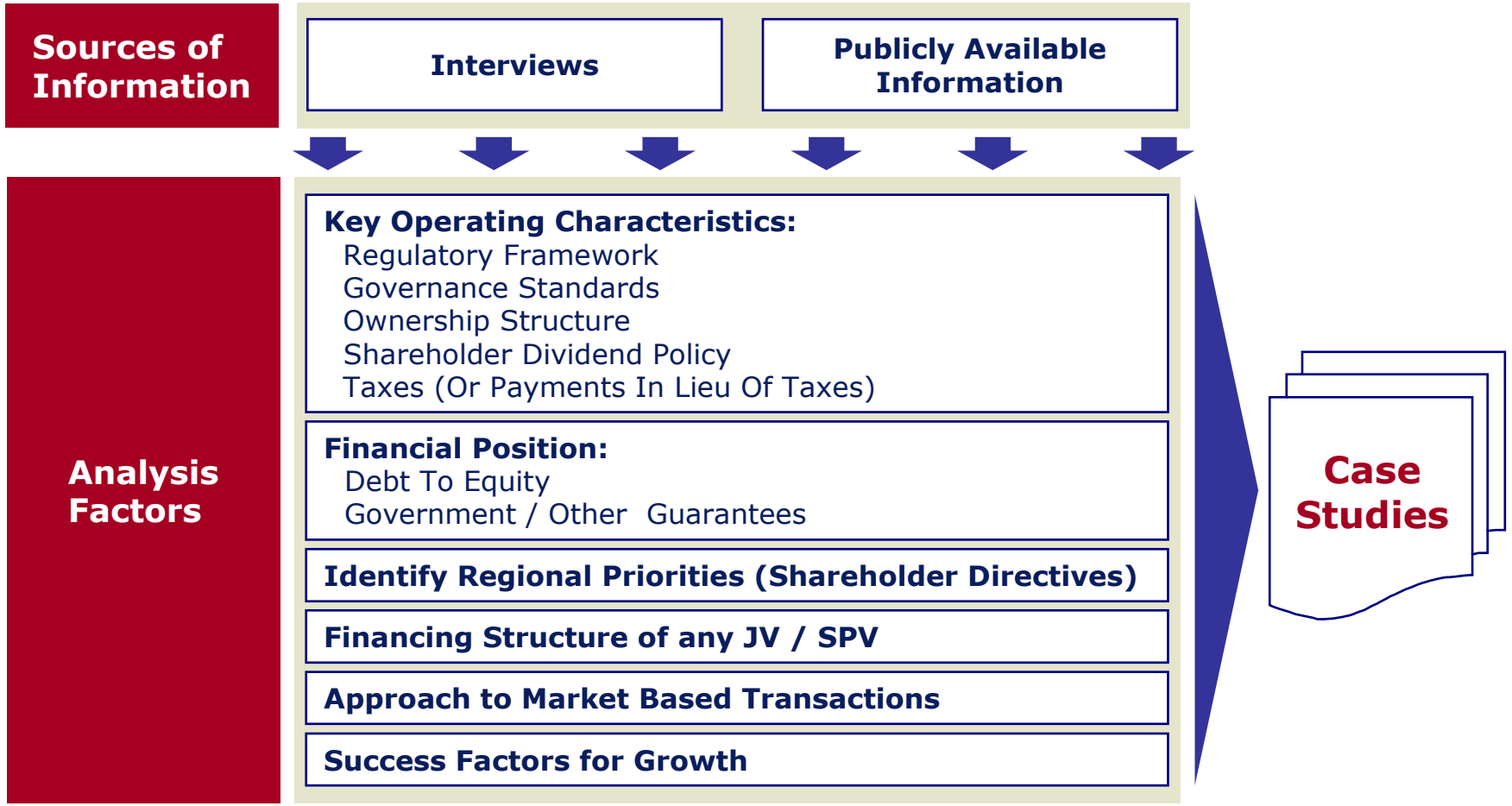
  - ***Why not among the Most Suitable firms for 2010 State?***
    - Size is much larger than NLH (US$4.4B).
    - Operating in unregulated markets.

  - ***Why not among the Most Suitable firms for 2020 State?***
    - Not much diversification into other businesses.
    - Size – low level of diversification.

Benchmarking Analysis of Short-listed Companies

Methodology

A Case Study (refer to Appendix A) was prepared for each company in the Short List using results of interview questionnaire (where applicable) and publicly available information.



Summary of Case Studies
Key Operating Characteristics

Operating Characteristic	Short List of Companies
Business Structure	• Largely a function of the domestic regulatory environment and the extent to which the company will be investing in deregulated businesses. • Businesses may be structured such that regulated, non-regulated and project specific ventures are in discrete operating units. This is done for market-facing purposes, for risk management / financing purposes and to allow for flexibility in forming partnerships.
Regulatory Framework	• All companies regulated by an arm's length government agency or board. • Some (TVA and OPPD) have direct control on rates. • Performance is mostly based on meeting ROE targets rather than full-cost pricing.
Governance Standards	• Majority of private companies are governed by a board of directors selected by the government shareholder, with the exception of: – OPPD's board is elected by the public; and – Enel and Norsk Hydro are publicly traded companies, with minority ownership by government. • Majority of board members are from private business and the private community.

Summary of Case Studies
Key Operating Characteristics

Operating Characteristic	Short List of Companies
Ownership Structure	• Primarily three types of ownership structure: –Private companies owned by government; –"Crown" corporation enacted through legislation; and –Public company with minority ownership by government.
Shareholder Dividend Policy	• Generally, all companies pay dividends (or in another form) with payout levels that are at the discretion of the board.
Taxes	• Depends on ownership structure: –Government owned companies generally make Payments in Lieu of Taxes of approximately 35% (where applicable); –In some instance (OPPD, TVA, Hydro Quebec) are exempt from taxes – see Shareholder Dividend Policy; and –Public companies (Enel, Norsk Hydro) pay all corporate taxes.

Summary of Case Studies
Financial Positions of Canadian Companies

Company Name	Debt / Equity	Long Term Credit Rating (S&P/Moody's/ DBRS)	Government Guarantee
BC Hydro	**81:19**	**AA-/AA2/AA**	• Debt is guaranteed by the Province of British Columbia.
Énergie NB Power	**100:0 (1)**	**NA/NA/A**	• Most debt is guaranteed by the Province of New Brunswick.
EPCOR	**51:49 (2)**	**BBB+/NA/A(L)**	• Debt is not guaranteed – either by the City of Edmonton (shareholder) or by the Province of Alberta.
Hydro One	**53:47**	**A/Aa3/A**	• Debt is not guaranteed by the Province of Ontario.
Hydro Québec	**65:35**	**A+/A1/A**	• Debt is guaranteed by the Province of Quebec.
Ontario Power Generation (OPG)	**39:61**	**BBB+/NA/A(L)**	• Debt is not guaranteed by the Province of Ontario.

(1) Except for the Transmission component, which is 60:40

(2) Target Capital structure is 65:35

Note: Although OPG and Hydro One debt is not guaranteed by their shareholders (Province of Ontario), there is an implicit reliance of rating agencies that the Province of Ontario will 'step-in' if required.

Summary of Case Studies
Financial Positions of International Companies

Company Name	Debt / Equity	Long Term Credit Rating (S&P/Moody's/ DBRS)	Government Guarantee
Tennessee Valley Authority (TVA)	**90:10**	**AAA/Aaa/NA**	• TVA securities are backed by the net power proceeds of the TVA power system and are neither obligations nor guaranteed by the U.S. Government.
Omaha Public Power District (OPPD)	**45:55**	**AAA/Aa3/NA**	• Concurrently with the issuance of a PIB (Electric System Subordinated Revenue Bonds), a Municipal Bond New Issue Insurance Policy is created. The Policy unconditionally guarantees the payment of principal and interest that has become due for payment and shall be unpaid.
Norsk Hydro	**22:78**	**A-/A1/NA**	• No government guarantees, however, Norsk's debt issues are regarded as GRI (Government Related Issues).
ENEL SpA	**41:59**	**A+/Aa3/NA**	• 12.5% of total debt is guaranteed by the Italian Government.

Summary of Case Studies
Identify Regional Priorities (Shareholder Directives)

Company Name	Shareholder Directives
BC Hydro	• BC Hydro's purpose is the supply of reliable power at a low cost for generations. Being a provincial Crown corporation BC Hydro has a role in implementing provincial public policy. It does not have a mandate to pursue market opportunities, however, it has established Powerex in order to approach the electricity trading business with the excess generating capacity.
NB Power	• As a Crown corporation it has similar directives to those of BC Hydro. It is currently focused on increasing revenue and improving generation assets.
EPCOR	• EPCOR intends to increase shareholder value as a leading North American supplier of Energy and Water services.
Hydro One	• Focus is on *transmission* and status quo on *distribution* assets.
Hydro Québec	• In addition to satisfying electricity customers in Quebec, Hydro Quebec is focusing its production business in increasing generating capacity in order to serve other markets in Northeastern United States.
Ontario Power Generation (OPG)	• There is no clear direction from the Province in the role of OPG in new power generation.

Summary of Case Studies
Identify Regional Priorities (Shareholder Directives)

Company Name	Shareholder Directives
Tennessee Valley Authority (TVA)	• TVA is not a public utility and among other things must produce gross revenues sufficient to provide funds for operation, maintenance and administration of its power system, payments to states and counties in lieu of taxes, debt service and annual payments to the treasury in repayment of and as a return on the government's investment in TVA power facilities. • Currently TVA is focused on debt reduction in order to create grater financial flexibility.
Omaha Public Power District (OPPD)	• OPPD is a public electric required to fix, establish and collect adequate rates, tolls, and rents for electrical energy. • Currently, OPPD is focused on debt reduction.
Norsk Hydro	• Being a publicly owned company Norsk's directives is to increase shareholder value. Each business segment is focused on different operational and financing activities.
ENEL SpA	• Being majority owned by the public, Enel aims to create shareholder value, taking into account the social importance of Enel's activities and the need to adequately consider all interests involved in the carrying out of these activities.

Summary of Case Studies
Financing Structure of any JV / SPV

Financial Structure.

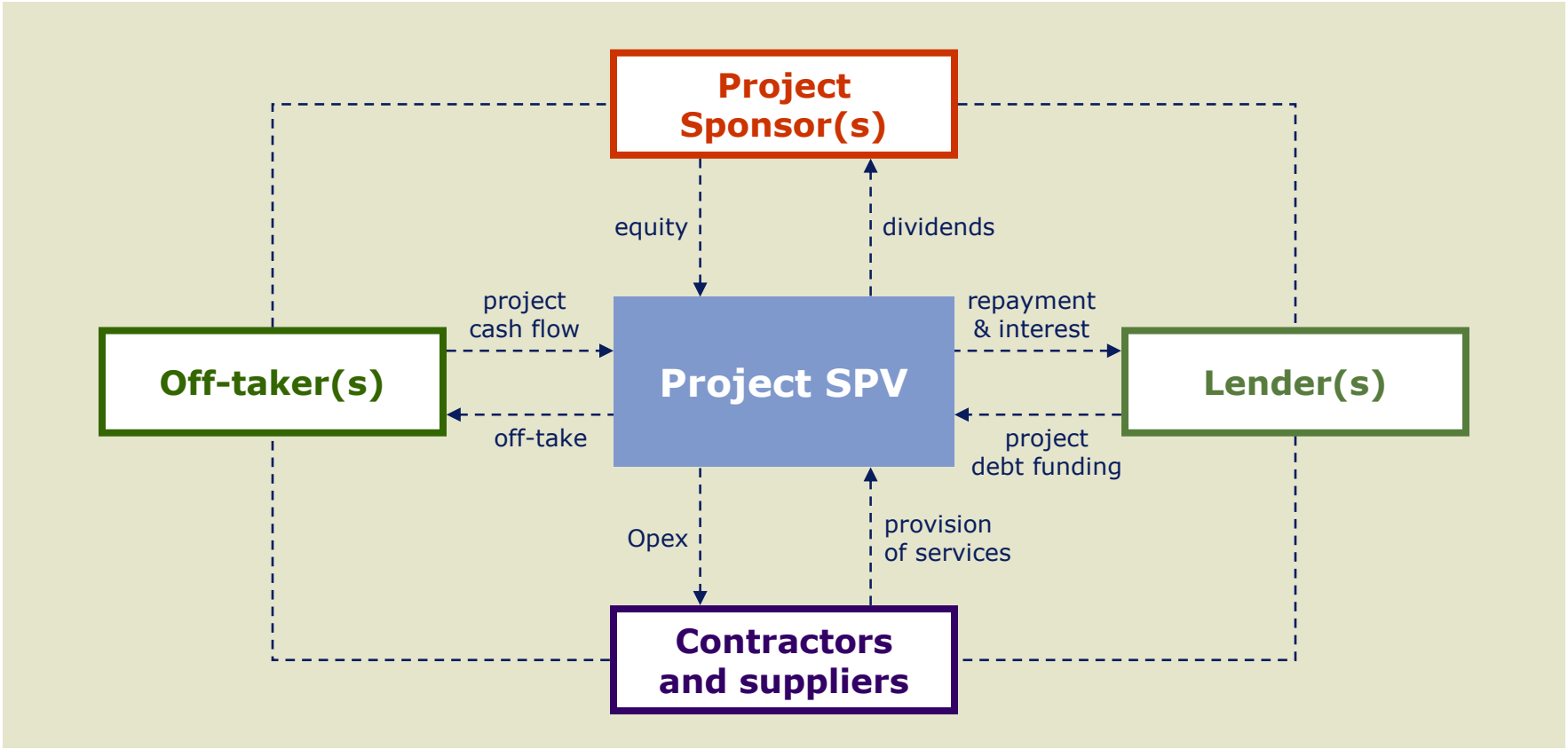
- Financing structured in a "limited" recourse method such that lenders are reliant on the cash flow and assets of the project for repayment.
- Typically a form of leveraged lending, e.g. 70:30 Debt / Equity structures are very common.
- Lending agreements restrict payment of dividends from revenues only after debt servicing, operating expenses, and required capital expenses are satisfied.

Rating Agencies.

- In evaluating the credit rating of a project, rating agencies will focus their analysis on the following issues:
  - Financial strength and reputation of project sponsor;
  - Project completion risk;
  - Project operational risk;
  - Cash flow risk – dependent on nature of off-take or power purchase agreement; and
  - Other factors that influence the project's financial structure, including degree of recourse, if any, to equity sponsor.

Summary of Case Studies
Financing Structure of any JV / SPV

Typical Project Structure.



Summary of Case Studies
Financing Structure of any JV / SPV

Project Finance Issues.

- Advantages:
  - Limited or non recourse financing enables project "risk-sharing";
  - Ability to structure longer tenor debt agreements that match the project life / future cash flows;
  - Lower cost of capital through highly leveraged project lending; and
  - Off-balance sheet financing is possible.
- Disadvantages:
  - Wider debt financing spread and larger commitment fees than comparable corporate-financed projects;
  - Restricted cash flows to equity sponsor according to credit agreements; and
  - Comparable corporate-financed transactions may be structured more expediently.

Summary of Case Studies
Financing Structure of any JV / SPV

Accounting Issues.

- Canadian Accounting Standards Board has issued pronouncement AcG-15 to treat Variable Interest Entities ("VIE"). A project company SPV is likely to be viewed as a VIE from an accounting perspective.
- AcG-15 has been harmonized with the US standard FIN-46.
- The following criteria may be applied to determine if SPV debt should be consolidated:
  - Determine if the SPV is in fact a VIE – if either of the following applies:
    - Equity sponsors of the SPV do not have a voting interest;
    - Equity sponsors do not hold a "significant" interest in the SPV;
      - The definition of "significant" is opaque, however, <10% is generally viewed as "insignificant".
    - If either of the above apply, the SPV is deemed to be a VIE;
  - If the SPV is a VIE, determine if the SPV needs to be consolidated. The SPV may be consolidated if either of the following criterion applies:
    - A majority of the risk of "residual returns" (VIE cash flows) from the SPV are claimed by the equity sponsor; and
    - A majority of the risk of loss is borne by the equity sponsor.
  - In the event of consolidation, the equity sponsor will recognize the assets, liabilities, and a non controlling interest of the SPV.

Summary of Case Studies
Financing Structure of any JV / SPV

Transfer Pricing.

- Transfer pricing is an economic analysis designed to establish a fair or commercial price for goods and resources moving between two non-arms length parties.
- A transfer price study is typically commissioned by non-arms length parties who need to satisfy other stakeholders in the transactions including:
  - Minority shareholders;
  - Tax authorities;
  - Regulators; and
  - Lenders,

  that the non-arms length transactions do not adversely affect their interests.
- Price is normally determined by examining comparable commercial transactions between arms-length parties and adjusting for any differences between the commercial and non-arms length transactions.

Summary of Case Studies
Financing Structure of any JV / SPV

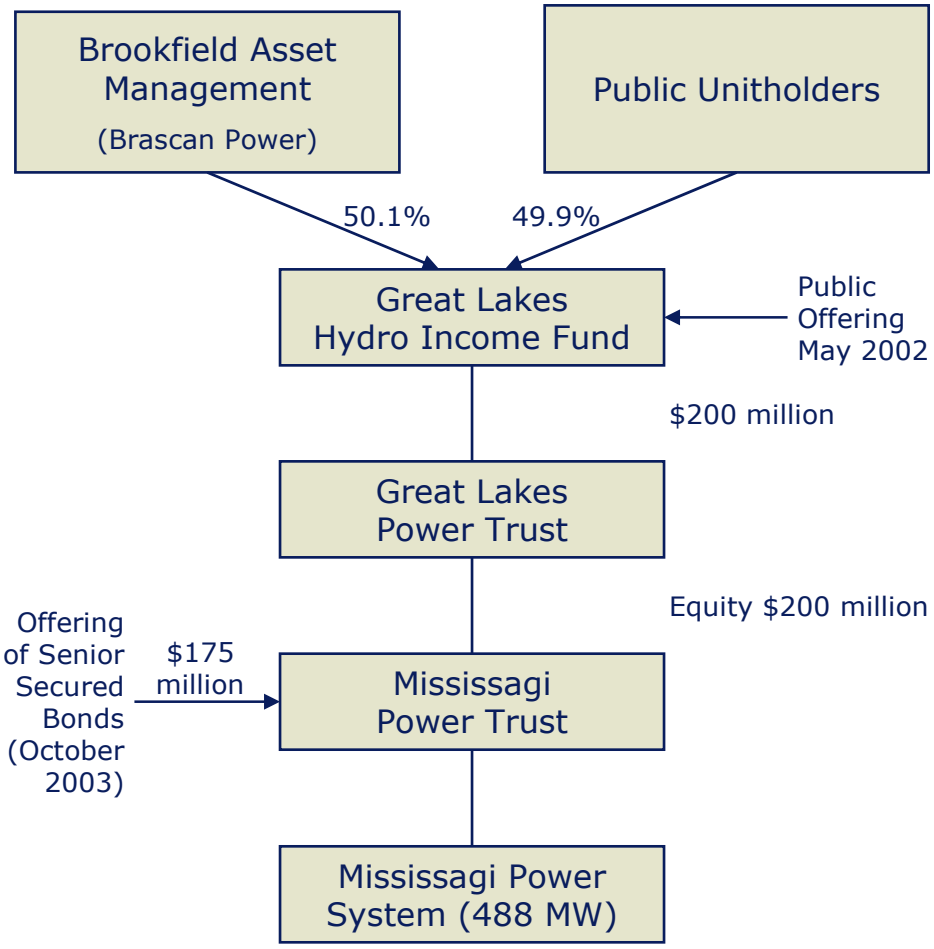
Parent / Holding Company Credit Rating.

- A holding company may issue debt and equity securities with the capital raised being invested in subsidiary companies.
- Subsidiaries may also obtain debt and equity financing to support their obligations.
- The credit rating of the parent for holding company will reflect the quality of the subsidiary and likelihood that it can return cash to the parent or holding company to service its own obligations.
- Any change in the operations of the subsidiary or its structure that affects cash flow and its ability to distribute cash will affect the credit of the parent or holding company.

Summary of Case Studies
Financing Structure of any JV / SPV

Brascan Properties.

- An example of a single purpose financing entity is the one used by Brascan Power to raise $175 MM in senior secured project debt for Mississagi Power Trust.
- Brascan raised the equity required to support Mississagi Power Trust through Great Lakes Hydro Income Fund, a public entity that owns five power systems in Ontario, Quebec, British Columbia, Maine and New Hampshire.
- Mississagi Power Trust, the owner of the Mississagi Power System, then issued senior debt to complete the project financing.
- The approach allowed Brascan to minimize the cost of equity by using the diversified public entity to raise the equity funds required and to arrange senior debt on a non-recourse basis to Great Lakes or Brascan based on the strength of Mississagi Power and the specific project structuring of the debt.
- The *trust structure* is tax efficient and supports the equity raise in favourable terms.



1. Corporate structure obtained from Dominion Bond Rating Services (DBRS) report dated March 13, 2006

Summary of Case Studies
Success Factors for Growth

Company Name	Growth Strategy
Énergie NB Power	• Corporate restructuring to provide options for growth, debt restructuring and ongoing management.
EPCOR	• Significant growth from strategic acquisitions funded mostly from debt (including preferred shares), but supported by cash flows of targets (mostly mature businesses). • Strong financing capabilities (as a result of adequate corporate structure).
Enel	• Monopolistic market positioning. • Rapid reorganization to take advantage of regulatory changes in Italy and Europe. • Identification and Management of generation capacity to be sold. • Mergers and Acquisitions strategy.

Summary of Case Studies
Success Factors for Growth

Company Name	Growth Strategy
Hydro Québec	• Provincial debt support for early stages of development. • Excess capacity to be sold to Ontario and US Market. • Restructuring of integrated affiliates to obtain US FERC licence (for US system operators) and IESO (Ontario system operator), enables sale of power to large commercial users (wholesale market) or load serving entities (US market). • Governance standards in line with new corporate legislation (similar to a traditional public company).
Hydro One and Ontario Power Generation (OPG)	• Corporate restructuring to provide options for growth, debt restructuring (e.g. off balance sheet to stand alone stranded debt entity) and ongoing management. • Strategic control over Ontario market options each to take advantage of strong current and future demand for electricity in Ontario. • Provincial debt support without guarantees.
BC Hydro	• As part of a Corporate Strategy, Outsourcing business services has reduced significantly operating costs.

Wholesale Electricity
(Canadian companies)

Wholesale Electricity and Market Approach
BC Hydro

- Through, Powerex Corp., BC Hydro markets wholesale energy products (electricity and gas) in Western Canada and the United States.
- The power marketing trade activities help optimize BC Hydro's electric system, resources, improve the security and reliability of electricity supply for the province, and provide significant economic benefits to the people of British Columbia.

Revenues:

- BC Hydro has $1.0B Annual Revenues in out of province electricity sales (27.4% out of a total of $3.8B of electricity sales).

Connection:

- BC Hydro's transmission system is interconnected with Alberta to the east (500kV line), and the Bonneville Power administration to the south (500 kV transmission lines on the west coast and 230kV on the east between British Columbia and Washington).
- These interconnections give BC Hydro access to markets across the Western Systems Coordinating Council region, east into the U.S. mid-west and south as far as Mexico.

How do they trade Electricity?

- Powerex purchases electricity from the market when prices are low, and sells electricity when prices are high.
- In early years, Powerex relied on surplus energy produced by BC Hydro. Now, Powerex is buying significant amounts of low-priced electricity and in some cases, it has been a net purchaser of electricity on an annual basis.

Whom do they sell to?

- BC Hydro sells electricity to Utilities, Power pools, large industrials and power marketers.

Wholesale Electricity and Market Approach
EPCOR

- Epcor has re-defined its strategy with the intention of leaving the mass market competitive retail business and increasing its focus on its commercial and industrial business.
- The Company is in the process of acquiring and developing new power generating plants, in order to benefit from its energy expertise in the electricity wholesale markets.

Revenues:

- The amount of wholesale electricity revenue for Epcor is not officially reported. At least 76% (Approx. $2.0B) of Epcor's total revenue ($2.7B) is derived from its energy and gas distribution to end-users and wholesale markets in Alberta and Ontario, its transmission services and water business. The remaining portion ($0.7B) is generated through its Generation business, which includes generation units operating under Power Purchase Agreements and from commercial power generation units.
- There is no reliable information with regards to the proportion of wholesale electricity revenue as compared to the total electricity revenue.

Connection:

- Epcor owns (directly and indirectly) generating facilities in Alberta, Ontario, British Columbia, Washington, New York State and Colorado.
- It buys and sells electricity in the wholesale markets of Alberta, Ontario, the U.S. Pacific Northwest and several states in the Eastern United States.
- Although there is interconnectivity among the markets it operates, the transmission and distribution assets owned by Epcor are only in and around the City of Edmonton.

Wholesale Electricity and Market Approach
EPCOR

How do they trade Electricity?

- Through Epcor Merchant and Capital (US) Inc., the company offers full-service energy solutions in the Pacific Northwest, Alberta and Ontario.
- It owns three 24-hour real time trading desks for optimized load management within its key markets. It manages over 2,000 MW of generating assets.
- It offers short and long term agreements. It allows customers to customize specific energy solutions according to their needs.

Whom do they sell to?

- Epcor Merchant and Capital (US) Inc. sells energy to more than two million clients, including commercial and industrial entities.

Wholesale Electricity and Market Approach
Hydro Quebec

- Hydro Quebec has secured recognition as a wholesale power marketer with an active presence in Northeast North America.
- In addition to supply the domestic heritage pool, the wholesale operations of Hydro-Quebec try to seize business opportunities on markets outside Quebec.
- The business of wholesale electricity helps Hydro Quebec optimize the use of its generating stations and reservoirs. The Wholesale division trade in Energy is based on hydroelectric generating stations.

Revenues:

- Hydro Quebec receives $1.4B of annual electricity sales outside Quebec (13.4% of total $9.6B in annual electricity revenues). $1.3B are for short-term electricity sales, and the remaining $0.1B are for Long-term electricity sales.
- Transmission services to North American wholesalers represent 4% of Hydro Quebec revenue.

Connection:

- Through Hydro-Quebec TransEnergie, it operates the most extensive transmission system in North America.
- Hydro-Québec TransEnergie has eighteen interconnections with systems in neighboring provinces and states, providing a total export capacity of more than 7,100 MW and an import capacity of more than 9,300 MW.
- These facilities allow interchanges with Newfoundland and Labrador, New Brunswick, Ontario, and the U.S. Northeast.

Wholesale Electricity and Market Approach
Hydro Quebec

The following table illustrated Hydro-Quebec interconnection system:

Capability of Hydro Quebec Interconnections		
Location	**Maximum Export Capability (MW)**	**Maximum Import Capability (MW)**
Newfoundland and Labrador	0	5,200
New Brunswick	1,200	785
Ontario	1,295	720
New England	2,305	1,870
New York	2,125	1,000
Total	**6,925**	**9,575**

Total generating capacity of Hydro-Quebec is 34 GW.

How do they trade electricity?:

- Hydro Quebec trades mainly with short-term electricity buyers and sellers in the provinces of Newfoundland and Labrador, New Brunswick, Ontario and the U.S. Northeast..

Wholesale Electricity and Market Approach
NB Power

- NB Power sells wholesale electricity to customers in neighbouring provinces in Canada and the U.S. capitalizing on geographical location and regional weather diversity.

Revenues:

- NB Power has $251M of out of province electricity sales (19.3% of total $1.3B electricity revenue), and $81M in wholesale of electricity within the province.

Connection:

- NB Power is interconnected with Quebec, Nova Scotia, Prince Edward Island and New England.
- NB Power is currently developing a transmission power line between New Brunswick and Maine, U.S.
- In order to ensure financial viability of the project, NB Power signed commitment agreements in the Maritimes and Northern Main, including NB Power itself. Each entity committed to the equivalent of long-term firm reservations for 25 years, subject to regulatory approval.

Whom do they sell to?

- NB Power uses its well interconnected system to benefit from non-winter sales to neighbouring jurisdictions.
- NB Power supplies 95% of Prince Edward Island electricity need.
- Quebec is the largest out-of-province market, however New England sales are continuously growing.

Wholesale Electricity and Market Approach
Hydro One and Ontario Power Generation

Hydro One

- Hydro One principal business is the transmission and distribution of electricity to customers within Ontario. It owns 97% of the transmission network in the province and it owns and operate 26 interconnections with neighbouring provinces and states, which allow electricity to flow in and out of Ontario.
- We have found no reference about Hydro One being involved in the export/wholesale electricity markets.

Ontario Power Generation ("OPG")

- Ontario Power Generation (OPG) sells surplus electricity in interconnected markets for Quebec, Manitoba and the U.S. Northeast and Midwest.

Revenues:

- Total net annual revenues for OPG are $5.9B. It is estimated that about 41% of total electricity sales are from OPG's unregulated segment, however, a good portion of these revenues correspond to sales within Ontario.
- The proportion of electricity sales inside and outside Ontario is not available.

Connection:

- Ontario is connected with several other provinces and the mid-western and Northeastern United States including New York, Michigan, Quebec, Manitoba and Minnesota.

Wholesale Electricity and Market Approach
Other Canadian Companies: Manitoba Hydro

- Manitoba Hydro is the largest exporter of electricity to the United States, contributing 50% of the total nation's exports.
- Most generating capacity is based on Hydro-electrical systems, which favours the business when high water conditions exist. This allows the Company to participate actively in wholesale markets in Canada and the United States.
- Manitoba Hydro is currently implementing local energy saving programs, reducing the local consumption and increasing the electricity available for exports.

Revenues:

- Manitoba Hydro has $881M of annual Revenues in Electricity sales outside Manitoba, (47% of total electricity sales of $1.9 B). $708M (80% of out-of-province sales) are sold in the United States and $173M (20% of out-of-province sales) are sold in Canada.

Connection:

- Manitoba Hydro began building interconnections in the 1960's and since that time about 2900 MW of export interconnection capability has been attained.
- In November 2002, Manitoba Hydro placed in-service the Glenboro-North Dakota 230 kV transmission line in partnership with Northern States Power and Otter Tail Power Corporation. The Manitoba portion of the project extends 80 kilometres to the south and west of Glenboro, Manitoba to the U.S. border crossing east of Killarney. The project supports multiple needs including increasing import capability into Manitoba, enhancing transmission support in southwestern Manitoba, increasing export capability to the U.S., and serving local load in north central North Dakota. This upgrade has resulted in an increase of 175 MW in export capability.

Wholesale Electricity and Market Approach
Other Canadian Companies: Manitoba Hydro

- The maximum capability of interconnections including the Glenboro-North Dakota line is provided in the table below:

Capability of Manitoba Hydro Interconnections		
Location	Maximum Export Capability (MW)	Maximum Import Capability (MW)
Ontario	300	200
Saskatchewan	450	375
U.S.	2,175	1,050
Total	**2,925**	**1,625**

How do they trade Electricity?

- In Canada Manitoba Hydro participates in wholesale markets, and has just signed an agreement with Ontario in order to negotiate the transfer of clean renewable hydro-power from Manitoba to Ontario.
- In the Midwest, Manitoba Hydro participates through the Midwest Independent Transmission System Operator (MISO). The MISO system evaluates offers from lowest to highest cost and then select vendors based on estimated load. As an external (Canadian) participant, Manitoba Hydro sells surplus electricity into the Energy market.

Whom do they sell to?

- Manitoba Hydro exports electricity to over 30 electric utilities, through its participation in four wholesale markets in Canada and the mid-western United States. Currently, the Governments of Ontario and Manitoba are holding discussions regarding Hydro-power transfer between Manitoba and Ontario.
- As of 2005, Manitoba Hydro participates in the Midwest Energy Markets, serving states such as North Dakota, Minnesota, Wisconsin, Ohio and Kentucky.

Wholesale Electricity and Market Approach
Other Canadian Companies: Saskatchewan Power

- Export sales for Sakatchewan Power ("Saskpower") include revenue from the export of excess generation and revenue from electricity trading activities. Although only 22% of Saskpower's generation is Hydro, Saskpower is favoured by high water conditions allowing the company to capitalize on export market opportunities.
- NorthPoint Energy Solutions, a fully owned subsidiary of Saskpower, provides electricity export and import functions related to the Saskpower's generation assets. Also, NorthPoint acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of Saskpower.

Revenues:

- Saskpower had $114M export electricity sales in 2005 (8.6% out of a total of $1.3B in annual electricity revenues. Energy sold outside is 1,670 Gwh out of 18,803 total Gwh).

Connection:

- The corporation has interconnections at the Manitoba, Alberta and North Dakota borders. These interconnections provide SaskPower with the capability to import or export electricity to meet excess demand or to take advantage of export market opportunities.

Capability of Saskpower Interconnections		
Location	Maximum Export Capability (MW)	Maximum Import Capability (MW)
Manitoba	300	275
Alberta	153	75
North Dakota	200	150
Total	**653**	**500**

Wholesale Electricity and Market Approach
Other Canadian Companies: Saskatchewan Power

How do they trade Electricity?

- Saskpower is required to compete with other suppliers for access to interconnections with neighbouring provinces/states.
- Northpoint sells excess generating capacity and also participates in the Electricity markets by buying and selling electricity generated by third parties.

Whom do they sell to?

- Saskpower export revenue is mainly from sales to the Midwest Independent Transmission System Operator (MISO), Alberta, Ontario and to a less extent, from sales to Manitoba and the Pacific Northwest.

Wholesale Electricity and Market Approach
Out of Province Electricity Sales – Summary

The following table illustrates the percentage of out-of-province electricity sales as a percentage of total electricity sales for some Canadian companies:

	Hydro Quebec	NB Power	BC Hydro	SaskPower	Manitoba Hydro
Out of Province Electricity Sales ($MM)	1,464	251	1,043	114	881
Total Electricity Sales ($MM)	10,585	1,300	3,808	1,295	1,882
% of Total Electricity Sales	13.8%	19.3%	27.4%	8.8%	46.8%

Summary Table

Summary Table –
Response to Specific Questions

The following questions have been answered in the summary tables provided:

#	Question	Nature
1	Ownership Structure	Corporate Structure
2	Are regulated and non-regulated businesses resident in separate corporate entities?	
3	Do regulated activities take place in the parent or the subs or both?	
4	Debt:Equity ratio	Financial Structure
5	Is capital structure of the parent mirrored in that of the subs?	
6	Do subsidiaries issue their own debt to third parties?	
7	Is debt Guaranteed?	
8	Credit Ratings - Short Term (S&P,Moody's, DBRS)	
9	Credit Ratings - Long Term (S&P,Moody's, DBRS)	
10	Are subsidiaries rated independent of the parent?	
11	What is the perceived level of Board independence from the shareholder?	Governance
12	What is the perceived level of Board independence from Management?	
13	Is there a governance agreement between Management, Board and Shareholders?	
14	Taxes (Payments in Lieu of taxes)	Other
15	Dividend Policy	
16	What is the approved ROE for regulated entities?	
17	Is there a shared services agreement among the group?	

Notes:

In the case of HydroOne and Ontario Power Generation (OPG) questions have been answered from the perspective of the former Ontario Hydro Corporation (Considering HydroOne and OPG as subsidiaries of Ontario Hydro)

Summary Table – Corporate Structure
Response to Specific Questions

Question # / Company	1 Ownership	2 Separate Regulated Entities?	3 Regulated Activities in Parent/Subs
BC Hydro	Provincial Crown Corporation	Partially (1)	Mostly in the Parent
EPCOR	Private company owned by the City of Edmonton	Mostly	Mostly in subsidiaries
Hydro One	Private company owned by the Province of Ontario	Yes	Subsidiaries
Hydro Quebec	Private company owned by the Province of Quebec	Yes	Mostly in subsidiaries
NB Power	Provincial Crown Corporation, owned through the Electric Finance Corp. (another provincial crown corporation)	Yes	Subsidiaries
OPG	Private company owned by the Province of Ontario	Yes	Subsidiaries
Enel	Public Corporation, 21.4% directly owned by the Italian Government, 10.2% indirectly owned by the Italian Government, 68.4% owned by the public	Mostly	Subsidiaries
NORSK	Public Corporation, 43.8% owned by the Government of Norway	Mostly unregulated with some level of separation	Subsidiaries
TVA	U.S. Government agency	No	No subsidiaries
OPPD	Public Corporation operating as a Political subdivision of the State of Nebraska	No	No subsidiaries

Notes:
(1) Partially means Separate Business Lines and not necessarily separate entities.

*Refer to Questions on Slide 4

Summary Table – Financial Structure
Response to Specific Questions

Question #	4	5	6	7	8	9	10
Company	Debt:Equity	Mirrored Capital Structure?	Subs issuing own debt?	Guaranteed Debt	Credit Ratings ST	Credit Ratings LT	Independent Ratings?
BC Hydro	81:19	Not Available / No Comment	No	Yes, by the Province	A-1/Prime-1/R-1 (Middle)	AA-/AA2/AA	No
EPCOR	51:49 (2)	Separate entities, separate levels of debt	Some (EPCOR Power L.P.)	No	A-1/Prime-1/R-1 (Low)	BBB+/NA/A(L)	Yes, Preferred shares of subsidiaries
Hydro One	53:47	No	Yes	No	A-1/Prime-1/R-1 (Middle)	A/Aa3/A	Yes
Hydro Quebec	65:35	Not Available / No Comment	No	Yes, by the Province	A-1+/P-1/R-1 (Low)	A+/A1/A	No
NB Power	100:0 (3)	Yes, except for TransCo.	No, not yet.	Yes, by the Province (Mostly)	NA/NA/R-1 (Low)	NA/NA/A	No, not yet.
OPG	39:61	No	Yes (it has the ability)	No	A-1/NA/R-1 (Low)	BBB+/NA/A(L)	Yes
Enel	41:59	No	Some (Mostly, they have the ability)	Partial by the Italian Government (Only 12.5% of Debt)	Not available	A+/Aa3/NA	Not available
NORSK	22:78	Not Available / No Comment	Some	No, but debt issues are regarded as Government Related Issues	Not available	A-/A1/NA	Not available
TVA	90:10	No subsidiaries	No subsidiaries	No, but there is implicit federal support	Not available	AAA/Aaa/NA	No subsidiaries
OPPD	45:55	No subsidiaries	No subsidiaries	Through an Insurance Policy	Not available	AAA/Aa3/NA	No subsidiaries

Notes:
(2) Target capital structure is 65:35
(3) NB Power capital structure, except for the transmission component which is 60:40

*Refer to Questions on Slide 4

Summary Table – Governance
Response to Specific Questions

Question #	11	12	13
Company	Board Independence From Shareholder?	Board Indep. From Management?	Governance Agreement?
BC Hydro	3 (Appointed by the Lieutenant Governor, but constitute a range of backgrounds and perspectives)	4 (Board oversight)	Yes, Letter of Expectations
EPCOR	5	5	Specific conditions are stipulated in shareholder agreements
Hydro One	3	3	Shareholder agreement
Hydro Quebec	3 (Appointed by the Lieutenant Governor, but constitute a range of backgrounds and perspectives)	3 (Includes CEO and President)	Not really, only a Code of Ethics applicable to the Board and Management.
NB Power	2	3	Yes, There is a Governance manual
OPG	4	4	Shareholder agreement
Enel	4	3	Shareholder agreement
NORSK	4	2	Shareholder agreement
TVA	2	4	Yes, the TVA Act
OPPD	5	4	Not available / No Comment

Independence Scale of 1 to 5, 5 being Most Independent

*Refer to Questions on Slide 4

Summary Table – Taxes (Payments in Lieu of Taxes)
Response to Specific Questions

Company	Taxes (Payments in Lieu of taxes) Question #14
BC Hydro	BC Hydro is subject to local government taxes that are paid to municipalities and regional districts. As a Crown corporation, BC Hydro is exempt from Canadian Federal and Provincial income taxes.
EPCOR	EPCOR is required to make payments in lieu of income taxes to the provincial Balancing Pool. These amounts are determined in a similar manner as taxable income under the Income Tax Act (Canada) or the Alberta Corporate Tax Act. EPCOR's effective tax rate for the last 12 months was 34%. EPCOR's U.S. subsidiaries are subject to income tax pursuant to U.S. federal and state tax laws.
Hydro One	Hydro One and its subsidiaries are required to make payments in lieu of corporate taxes to the Ontario Electric Finance Corporation (OEFC), in respect of each taxation year, generally equal to the amount of tax that it would be liable to pay under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) if they were not exempt from taxes there under. For the year ended 2005, the effective rate paid was 29.07%.
Hydro Quebec	In Canada, the Corporation and most of its holdings are exempt from paying income taxes since they are government-owned. Entities operating in foreign countries pay income taxes according to the tax rules in effect in the country where they derive revenue. In the 2006/2007 budget, the government announced the creation of the Generations Fund aimed at reducing provincial debt. Hydro-Quebec Production will help to finance this fund by paying water-power royalties on hydro generation. This will begin in 2007.
NB Power	The Corporation is required to make special payments in lieu of taxes to Electric Finance Corp. Total special payments in lieu of taxes consists of: a) an income tax component based on accounting net income multiplied by a rate of 35.12%. b) a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts. In 2005, $5M of payments in lieu of taxes were paid to the Electric Finance Corp.
OPG	Payments in lieu of corporate income and capital taxes are payable to OEFC. These payments are calculated in accordance with the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). This effectively results in OPG paying taxes similar to what would be imposed under the Federal and Ontario Tax Acts. OPG makes payments in lieu of property tax on its nuclear and fossil-fuelled generating assets to OEFC, and also pays property taxes to municipalities. OPG also pays charges on gross revenue derived from the annual generation of electricity from its hydroelectric generating assets. The gross revenue charge (GRC) includes a fixed percentage charge applied to the annual hydroelectric generation derived from stations located on Provincial Crown lands, in addition to graduated rate charges applicable to all hydroelectric stations.
Enel	Subject to Corporate Taxes
NORSK	Subject to Corporate Taxes
TVA	TVA makes payments in lieu of taxes to states and counties in which the Corporation conducts power operations and in which the Corporation has acquired properties previously subject to state and local taxation. The basic amount of these payments is 5% of gross revenues from the sale of power during the preceding year.
OPPD	The District is not liable for federal or state Income or ad valorem taxes. However, as required by State law, the District makes payments in lieu of taxes annually to the County Treasurer of each county in which it sells electricity equal to 5% of its gross revenues derived from sales within the incorporated cities and villages in such county.

Summary Table – Dividend Policy
Response to Specific Questions

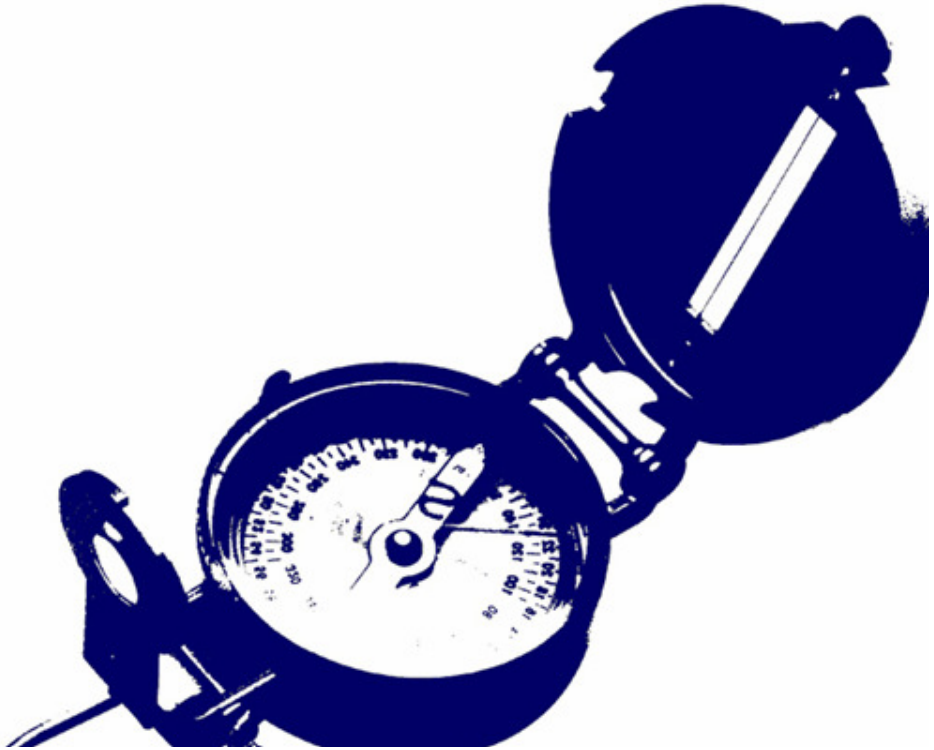
Company	Dividend Policy Question #15
BC Hydro	BC Hydro is required to pay 85% of distributable surplus each year to the Province of British Columbia, subject to maintaining a 80:20 debt-equity ratio.
EPCOR	Current annual dividend is set at the greater of the previous year's dividend adjusted for the forecasted change in the consumer price index or 60 per cent of earnings available to common shares of EPCOR in the applicable year. Dividends for the year are generally established in the fall of the previous year based on forecasted earnings. The dividend policy is subject to amendment in the event of a significant change in EPCOR's business or financial condition.
Hydro One	Common dividends are declared at the sole discretion of the Hydro One Board of Directors, and are recommended by management based on results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations. The preferred shares are entitled to an annual cumulative dividend of $18 million, which is payable on a quarterly basis.
Hydro Quebec	Dividends to be paid by the Corporation are declared once a year by the Québec government, which also determines the terms and conditions of payment. For a given fiscal year, they cannot exceed the distributable surplus, equal to 75% of the year's operating income and net investment income, less interest on debt securities and amortization of discounts and borrowing expenses. Also, in respect of a given fiscal year, no dividend may be declared in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year.
NB Power	Electric Finance Corp., as sole shareholder, is entitled to receive dividends when declared by the Corporation's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Corporation. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding. Dividends are declared and paid at an individual company level.
OPG	The declaration and payment of dividends are at the sole discretion of the Corporation's Board of Directors and will be dependent upon the Corporation's results of operations, financial condition, cash requirements, securities legislation and other factors considered relevant by the Corporation's Board of Directors. The Corporation's policy is to declare and pay regular dividends on its common shares held by the Province equal to approximately 35% of its net income from time to time. In addition, the Corporation may from time to time declare special dividends on account of any portion of the proceeds of any decontrol transactions. For fiscal year ended 2005, there were no dividends declared or paid.
Enel	Enel's shareholders are entitled to receive interim or annual dividends that the Company's board of directors recommends and, in the case of annual dividends, that the Company's shareholders approve. The amount of the aggregate dividend for each of 2001, 2002, 2003, 2004 and 2005 was equal to approximately 52%, 109%, 87%, 162% and 100% of its consolidated net income for the relevant year, respectively.
NORSK	Norsk Hydro targets a 30% dividend payout over time.
TVA	See Payments in Lieu of Taxes
OPPD	See Payments in Lieu of Taxes

Summary Table – Others
Response to Specific Questions

Question #	16	17
Company	**Regulated ROE**	**Shared Services Agreement?**
BC Hydro	8.29% Plus Risk Premium	One entity only
EPCOR	Generation: ROE = 4.5% above LT Canada Bond	Not specifically mentioned but companies share some corporate services and have several intercompany transactions
Hydro One	9.88%	Yes
Hydro Quebec	Transmission 9.72%, Distribution 8.4%, Actual ROE = 13.45%	Yes
NB Power	It is defined, but it is not available	Yes, to some extent
OPG	5%	Yes
Enel	Not available / No Comment	Yes
NORSK	Not available / No Comment	Yes
TVA	Electricity prices set at a rate to generate revenue enough to cover debt and interest payments in addition to Operating Costs	One entity only
OPPD	Not available / No Comment	One entity only

*Refer to Questions on Slide 4

Discussion of Results



Discussion of Results

1. Key Operating Characteristics.

- Each of the companies has different operating characteristics. These characteristics include the business and ownership structures, the regulatory framework, governance standards and shareholder dividend policy.
- Generally, the main driver behind the operating characteristics was the need to i) meet capital debt market requirements and ii) organize business units to facilitate access to specific target markets.
- Each of the companies is regulated by an arm's length government agency or board on an ROE basis ranging from 5% to 10%.
- Although some companies are "Crown" corporations their organizational structures are not significantly different to private companies.
- In addition, each pays taxes or makes some form of payment in lieu.
- Dividend policies vary and are generally made at the discretion of the Board of Directors. Payouts are a function of operating results and capital requirements.
- The Boards tend to be comprised of non-government individuals and, for the most part, are independent and at arm's length of the shareholder.

Discussion of Results

2. Financial Position.

Each of the companies has a different financial position, such as capital structure and credit rating, which is dependent upon the context in which the company operates, including:

- The capital structure of the company to suit operating cash flow obligations and meet rating agency requirements.
- The recognition that, where debt is not guaranteed by a government shareholder (OPG and Hydro One) there is an implicit reliance of rating agencies that the government entity will 'step-in' if required.
- In some instances (Ontario and New Brunswick) restructuring was undertaken to move significant amounts of legacy 'stranded' debt into specific holding companies, thereby improving the financial position of the new entities.

It is noted that none of the companies are currently undertaking large capital projects. (Understanding large capital projects as large required capital investment compared to the current size of the Company)

Discussion of Results

3. Success Factors for Growth.

The growth strategy employed is often dependent upon i) the size of the market in which it operates and ii) the degree to which the more stable regulated revenue base contributes to the total revenue base of the business.

–Growth in Enel and Norsk Hydro was largely the result of control or monopoly over a large national market.

–Growth in EPCOR was mostly due to Mergers and Acquisitions outside of its regulated market.

4. Wholesale Electricity and Market Approach.

Generally, excess capacity is sold to other Canadian provinces and US Markets.

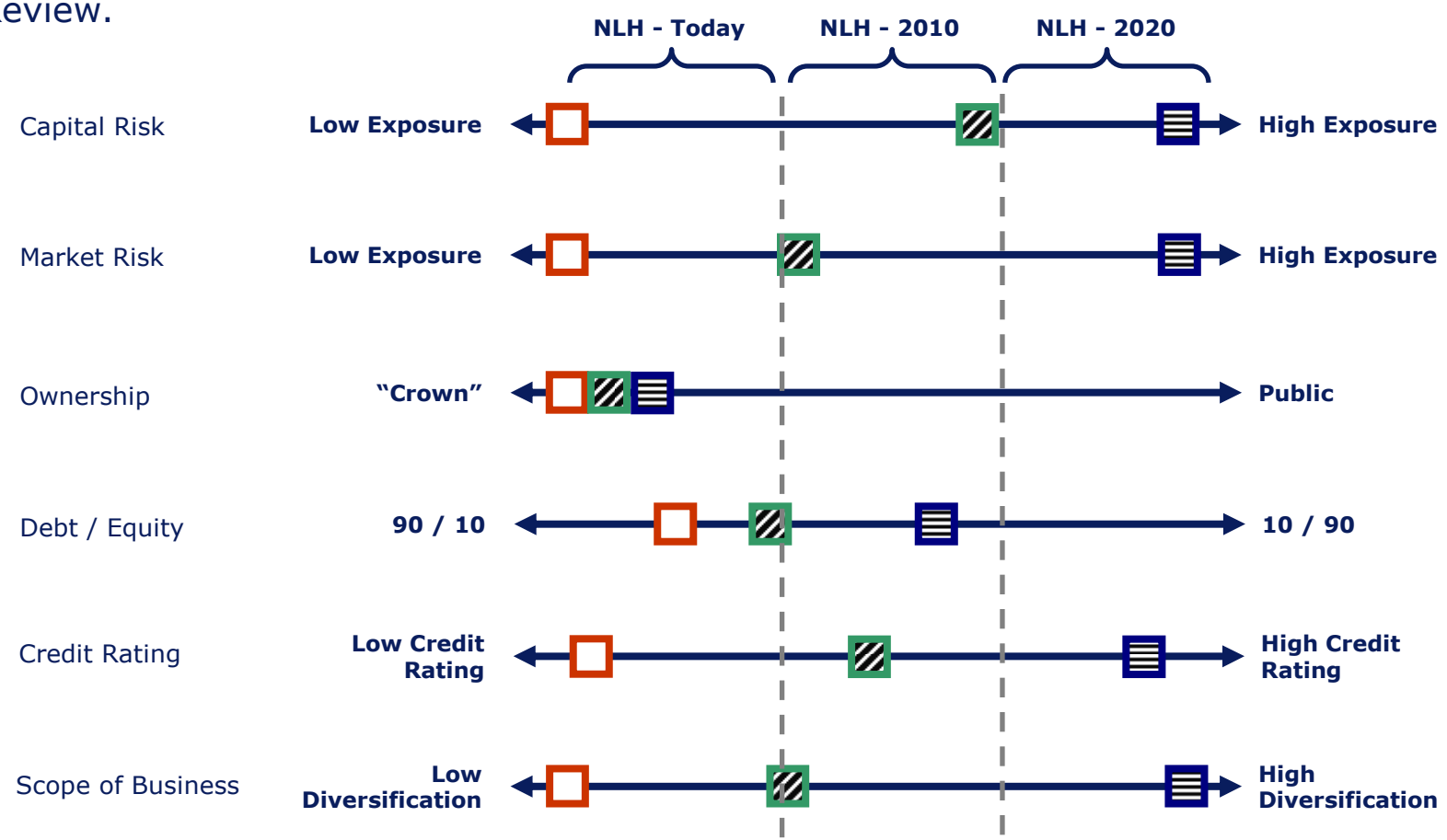
Restructuring of integrated affiliates to obtain licenses from system operators or FERC is needed to sell power to large commercial users (wholesale market) or load serving entities (US market).

Mapping Results to NLH Today, 2010 and 2020
NL Hydro

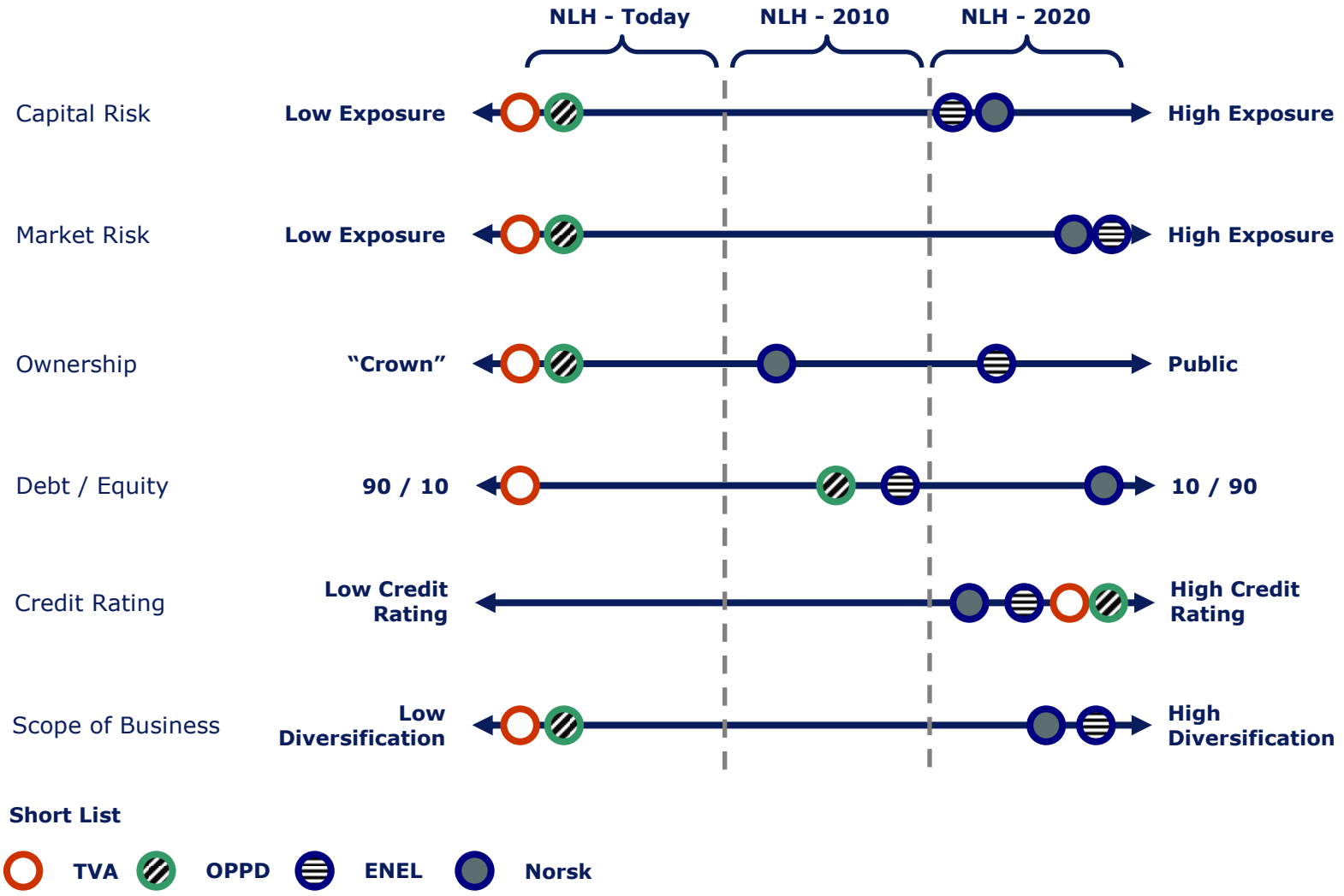
Factor	Brief Description
Capital Risk	• The extent to which the Company's financial condition and revenue are dependant on significant investments in new capital projects.
Market Risk	• The extent to which the Company is operating mainly under a non-regulated market (High Exposure) as opposed to a mainly regulated market (Low Exposure).
Ownership	• The extent to which there is government and public ownership in the Company.
Debt/Equity	• Refers to the Capital Structure of the organization in terms of proportion of debt vs. equity.
Credit Rating	• Refers to the Company's long term credit ratings granted by various agencies (Moody's, Standard & Poor's and Dominion Bond Rating Service (DBRS)).
Scope of Business	• The extent to which the Company's sources of revenue are diversified into various lines of business that are outside of the core electricity business.

Mapping Results to NLH Today, 2010 and 2020
NL Hydro

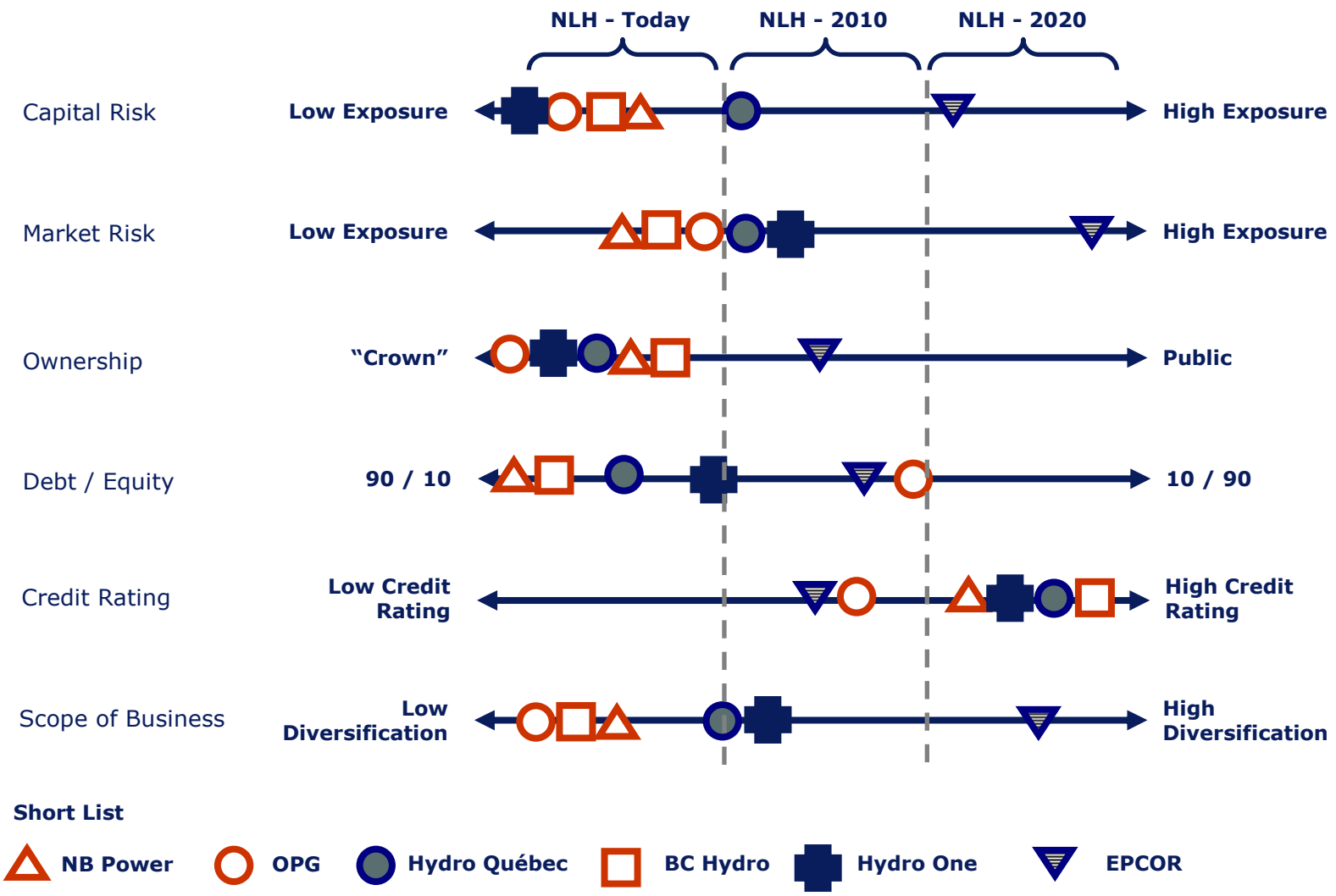
NLH's current and future states was plotted against the results of the Jurisdictional Review.



Mapping Results to NLH Today, 2010 and 2020
US and European



Mapping Results to NLH Today, 2010 and 2020
Canadian



Mapping Results to NLH Today, 2010 and 2020
Results

Direct Comparable Company. No single company provides a direct comparable to NLH because of the following factors:

- The size and scope of planned capital investments; and
- The future movement (in 2020) to an energy market company with a small (in relative terms) component of revenue derived from its regulatory base.

Most Comparable Company. The most comparable company is EPCOR because it has recently grown from mostly a regulated revenue base to more of a market based revenue business. Its growth resulted primarily from strategic acquisitions of mature business and less on organic growth from capital investment.

Some Possible Considerations for the Plan

Capital Structure. The possibility of moving some 'legacy' NLH debt to a stand-alone financing entity, may provide added flexibility for NLH to restructure with a more competitive capital structure.

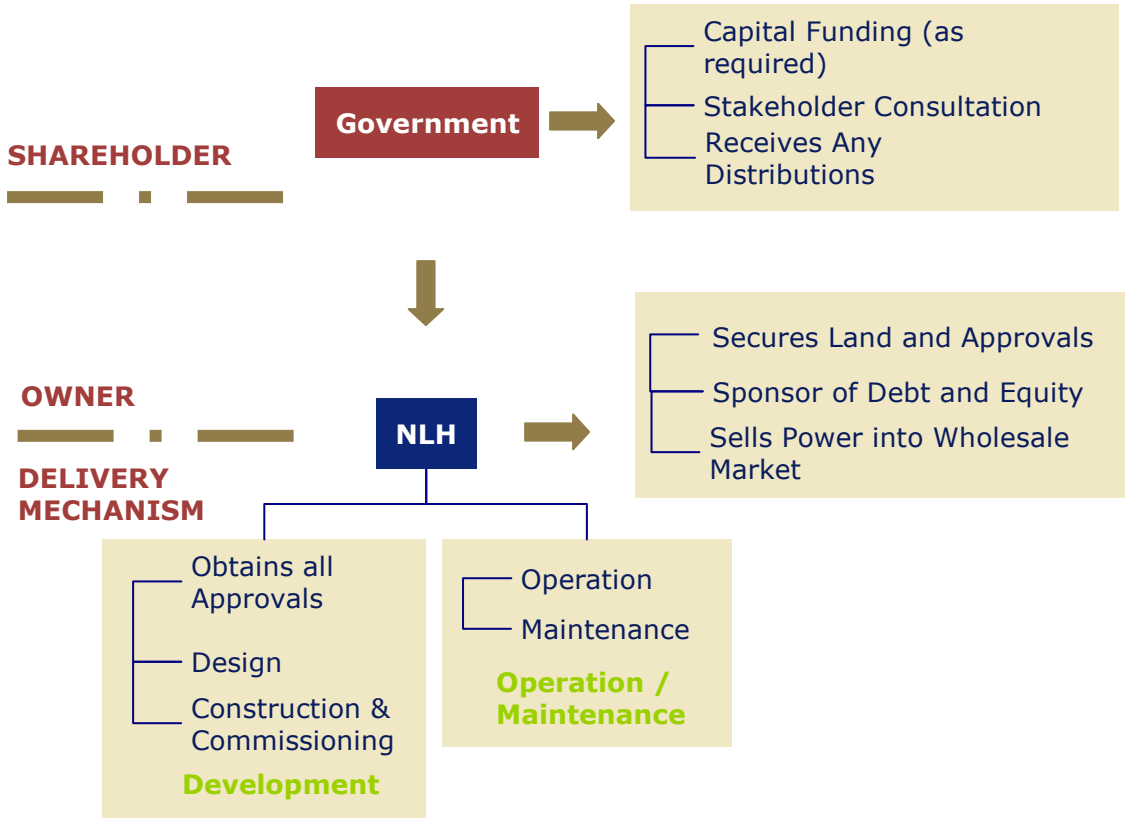
Growth Strategy. The Plan does not mention any Mergers and Acquisitions strategy, which may be worthwhile to consider as part of the growth plan.

Financing and Procurement Options

Financing and Procurement Options
Partnering Opportunities

- Three Possible Options for Analysis:

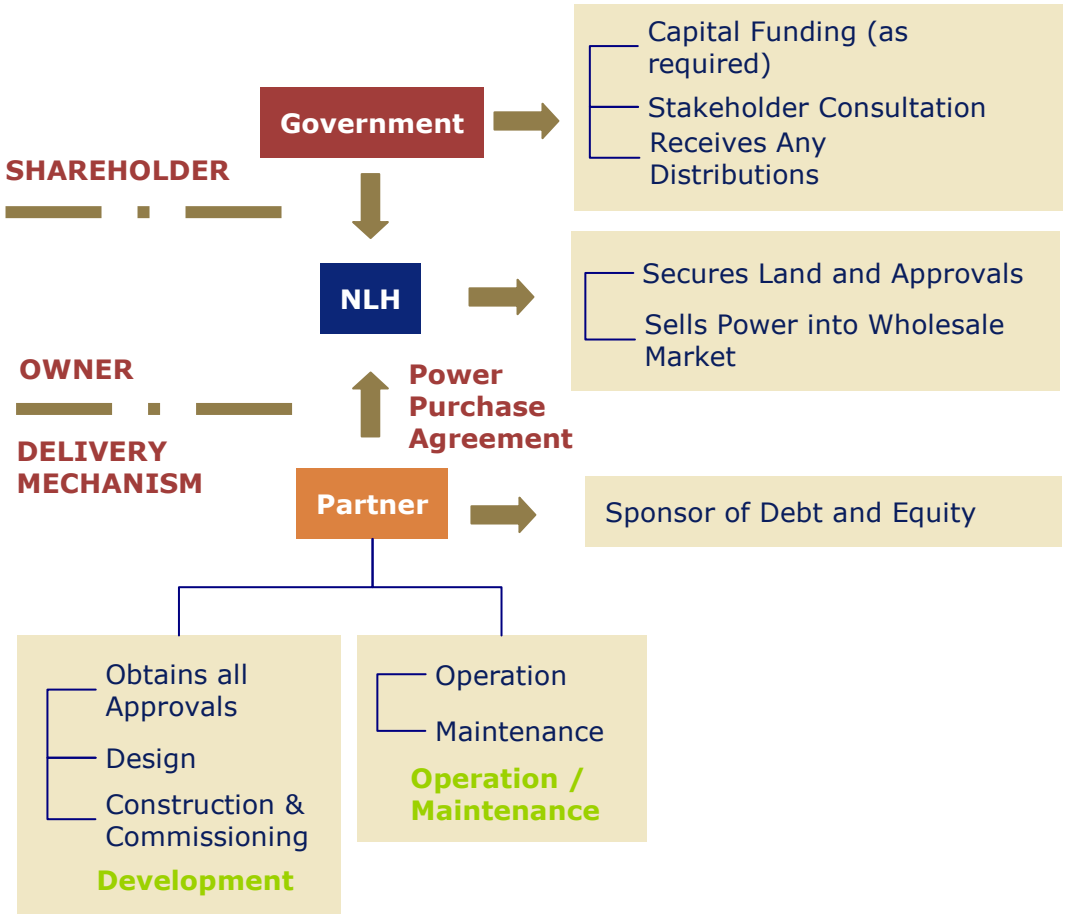
1. Base Case Option (or Status Quo):
   - Will be used as to benchmark other options.
   - Will utilize Conventional Ownership and Conventional delivery.
   - Funding provided through a combination of NLH funds, including borrowed money.



Financing and Procurement Options
Partnering Opportunities

- Three Possible Options for Analysis:

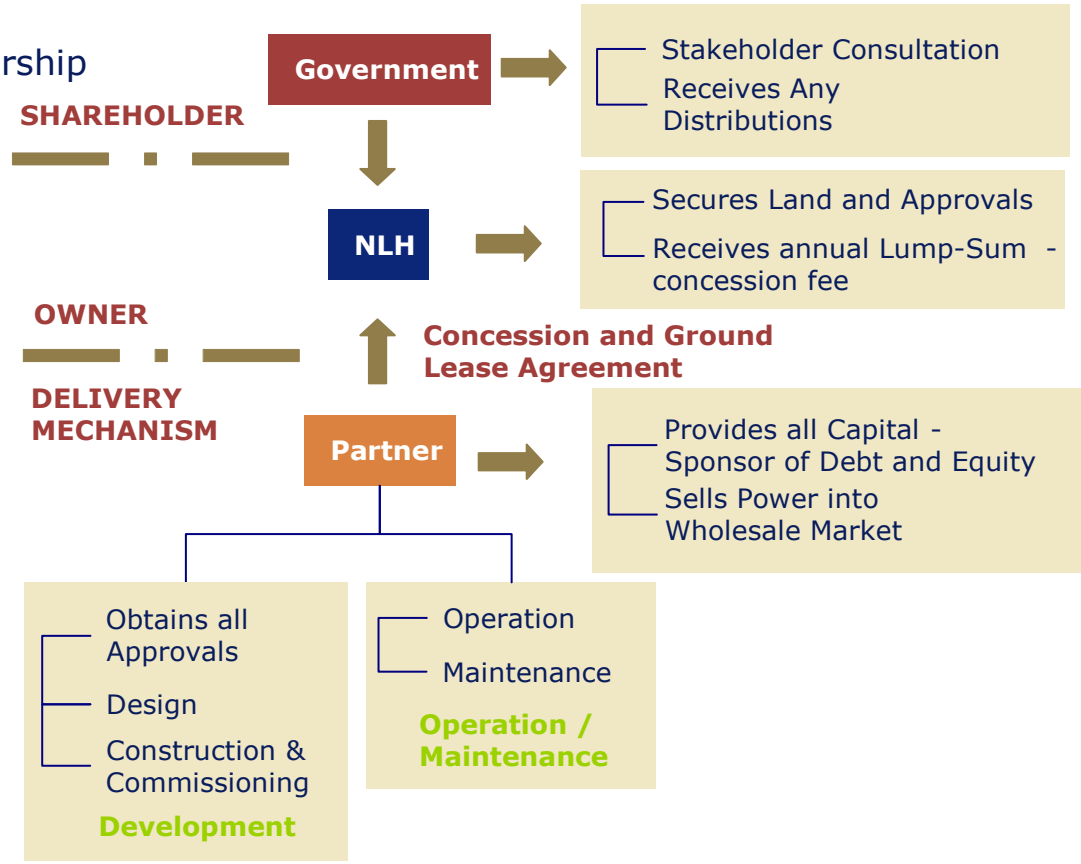
2. Finance-Design-Build-Operate-Maintain:
   - Will utilize Conventional Ownership delivered through a Finance-Design-Build-Operate-Maintain model.
   - Government retains the option to explore alternative sources of capital while maintaining majority ownership:
     - Sell shares to another equity investor on a private basis;
     - IPO of common shares to public markets;
     - and, IPO to public markets by way of a trust conversion
   - Asset remains in public hands



Financing and Procurement Options
Partnering Opportunities

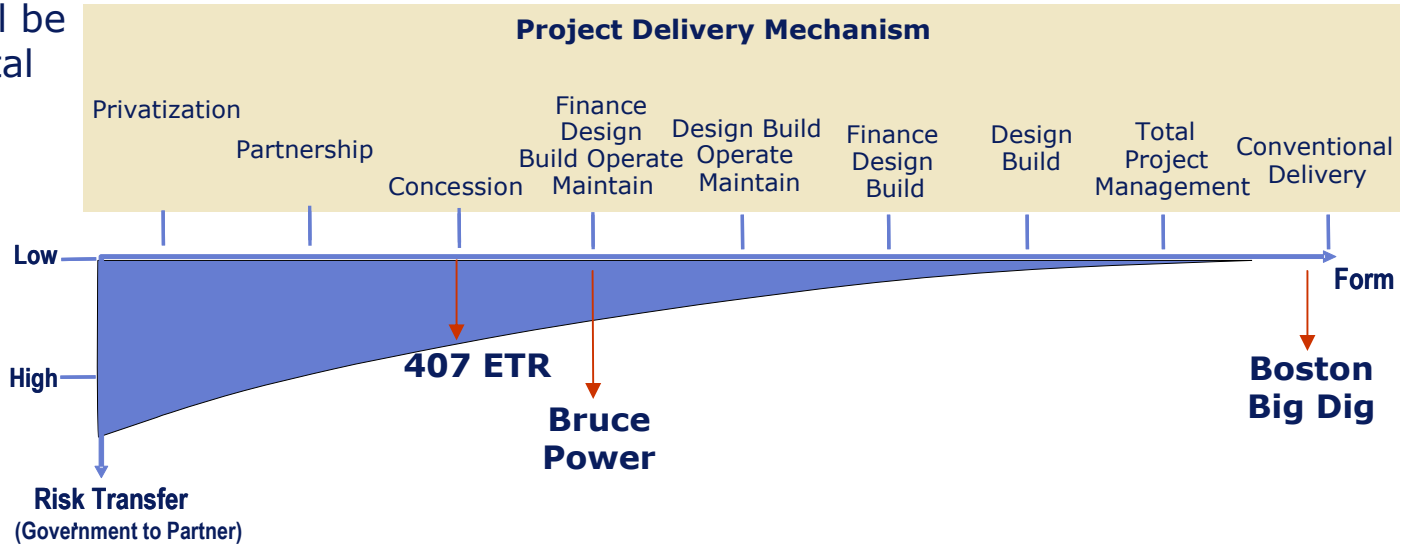
- Three Possible Options for Analysis:

3. Concession:
   - Will utilize a Concession and Ground Lease to transfer ownership for a period (25 years) to the Partner.
   - Partner pays for the concession (annual or lump sum).
   - Partner Finances-Designs-Builds-Operates-Maintains the Project and sells any power into the whole-sale market.
   - Restrictions can be placed on Partner option to alternative sources of capital, or allow flexibility to:
     - Sell shares to another equity investor on a private basis;
     - IPO of common shares to public markets; and, IPO to public markets by way of a trust conversion
     - Asset remains in public hands



Financing and Procurement Options
Partnering Opportunities

- The selection of a Governance/Ownership Structure and Project Deliver Mechanism typically depends on the:
  - Objectives of the Government;
  - Ability of the Partner to accept any transferred risk; and
  - Costs to both the Government and the Partner associated with the risk profile.
- The risk profile will be critical to the capital markets in the development of the optimal capital structure.
- Financing options include:
  - Senior debt (bank loan)
  - Bond financing;
  - Equity;
  - and Subordinated debt.
- Payment mechanisms include:
  - Lease back through an availability payment;
  - Power Purchase Agreements; or
  - Rights to a concession or license.



Appendix A
Case Studies of Short List of Companies

BC hydro

Company Address	333 Dunsmuir Street, Vancouver, BC V6B 5R3 Canada
Website	www.bchydro.com
Number of Employees	4,078
Ownership Structure (public/private)	Crown Corporation – owned by the Province of British Columbia
Market Capitalization	N/A

Financial Information (LTM, in millions) – 6/30/2006	
Revenue	4,311
EBITDA	920
Interest Expense	474
Net Income	266
Total Debt	7,496
Equity	1,707
Dividend Payment	223
CAPX	607
Debt/Equity	81:19
Debt/EBITDA	8.15x
CAPX/REV	14%

History and Business Structure

BC Hydro was founded in 1860 and operates as a renewable hydropower and electric utility company in British Columbia. Consistent with industry trends and best practices, BC Hydro management decided in 2002 to move to a "Lines of Business" structure within the company and now operates through four main lines of business: Generation, Distribution, Engineering, and Field Services; and four wholly-owned operating subsidiaries: Powerex, Powertech Labs, BCH Services Asset Corp and BC Hydro Constructors Ltd.

The Generation business involves the management and operation of generation assets and water facilities. As of March 31, 2005, BC Hydro's assets included 42 dams, 79 generating units at 31 hydroelectric facilities, and 9 units at 3 thermal generating plants. The Distribution business acquires energy through demand-side and supply-side options, delivers it to customers, and provides extension and connection services. As of the above date, it managed 56,400 kilometres of overhead, underground, and submarine distribution lines; 876,000 poles and 344,000 transformers; and substation distribution assets.

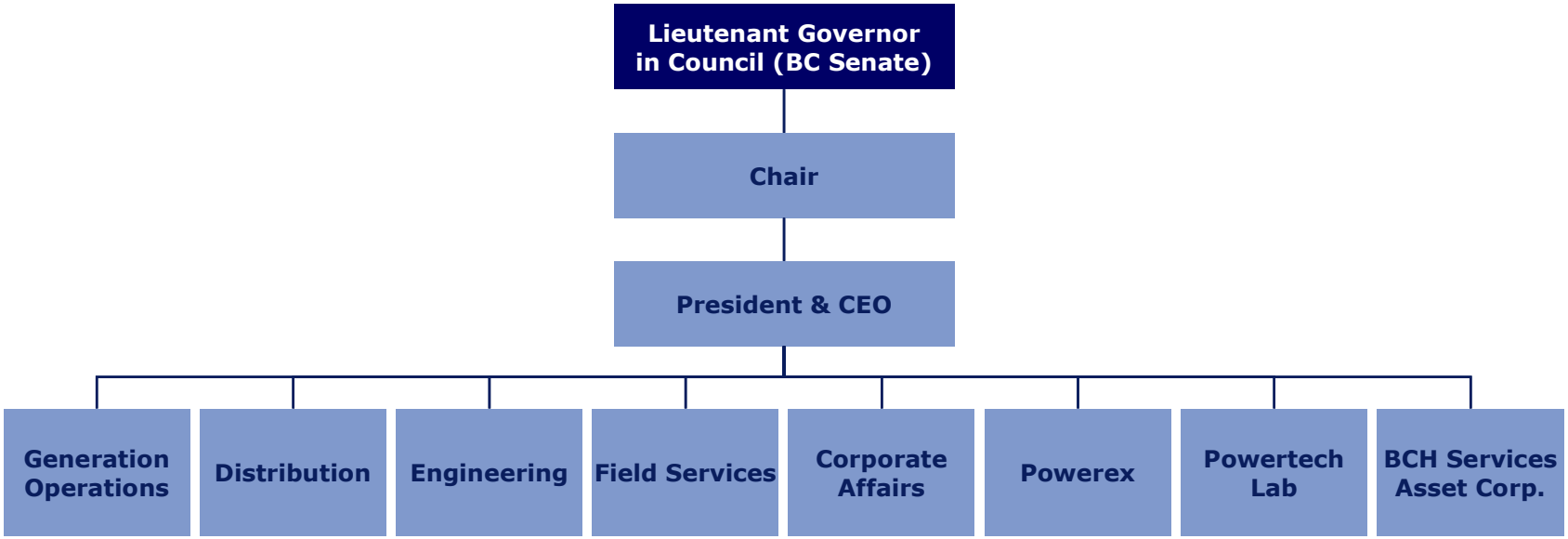
BC hydro

History and Business Structure (Continued)

The Engineering business provides project management, maintenance, emergency response, design, environmental support, contracts, and construction management services. The Field Services business involves the provision of emergency response, and restoration and maintenance services, as well as the management of vehicle fleet services.

Corporate Structure:

A diagram of the corporate structure of BC Hydro is shown below:



BC hydro

Regulatory Framework
BC Hydro operates under the terms set out in the Power Authority Act. BC Hydro is a commercial provincial Crown corporation and has a role in implementing provincial public policy. The provincial government's Energy Plan was released in November 2002, and was implemented over the following four years. It included 21 direct policy action items for BC Hydro to accomplish. Nineteen were completed by the end of Fiscal 2005, and the final two elements in Fiscal 2006 – a new rate structure and choice of electricity supplier by large customers – were completed. The Energy Plan has four cornerstones: low electricity rates and public ownership of BC Hydro; secure, reliable supply; more private sector opportunities; and environmental responsibility and no nuclear power sources. BC Hydro is subject to scrutiny and oversight from the British Columbia Utilities Commission (BCUC) which is an independent body overseeing a range of regulated (public and private) entities. While BC Hydro's strategy and operational requirements are influenced by government policy for key items such as service levels, return to the shareholder (government), mix of power supply and ownership of core assets, day to day operations are left to management with Board governance oversight. Board representatives are appointed by the government but constitute a range of backgrounds and perspectives. BC Hydro does not have a mandate to pursue market opportunities.

Governance Standards
A Shareholder's Letter of Expectations describes the relationship between the government as shareholder and BC Hydro on issues of mandate, performance expectations, public policy and strategic priorities. This letter is reviewed annually, updated as required and signed by the Chair on behalf of the Board of Directors of BC Hydro and by the Minister of Energy, Mines and Petroleum Resources as the government's representative. A companion document is the Shareholder's Expectation Manual. BC Hydro's current governance framework was adopted in 1998 and has been regularly reviewed since that time to ensure its various components meet the corporation's ongoing business needs from a governance perspective, while being consistent with government's guiding principles on Crown agency corporate governance. The Board is appointed by the Lieutenant Governor of British Columbia (i.e. by the Cabinet), hence there is no corporate strategy, but rather a governmental strategy in terms of Board appointment

BC hydro

Debt

Credit Ratings:

Since BC Hydro is a Crown Corporation, BC Hydro shares the same credit rating as the Province of British Columbia.

	Moody's	DBRS	S&P
Short Term	Prime-1	R-1	A-1
Long Term	AA2	AA	AA-

Debt:

BC Hydro is subject to an overall borrowing limit of $8.8 billion, net of sinking funds. As at March 31, 2006, BC Hydro had an unused borrowing capacity totaling $2.15 billion. Long-term debt, net of sinking funds and cash and cash equivalents, was $6.63 billion at Mach 31, 2006. BC Hydro's capital structure is 81% debt, 19% equity and has a debt to EBITDA of 8.1x, representing a highly financially levered organization.

Guarantees:

Since BC Hydro is a Crown Corporation, all debt is guaranteed by the Province.

Regional Priorities/Strategies

Major BC Hydro strategies and focus include:

- BC Hydro owns the majority of the transmission and distributions systems that deliver electricity in BC
- BC Hydro operates in the best interests of their customers while providing healthy returns to their shareholder
- BC Hydro's purpose is the supply reliable power at a low cost, for generations

BC hydro

Other
Besides BC Hydro's mains business units of Generation, Distribution, Engineering, Field Services and Corpoarte, BC Hydro also has four principal wholly-owned operating subisuaries: Powerex, Powertech Labs, BCH Services Asset Corp., and British Columbia Hydro Constructors Ltd. Powerex is the energy marketing subsidiary of BC Hydro. Powerex is responsible for the purchase and sale of physical electricity and natural gas in relation to BC Hydro's capabilities and domestic requirements through its energy trading activities. Powertech Labs provides analysis, testing and certification services and analytic tools and products to the electric and natural gas industries, their suppliers and customers worldwide. They are a leader in high-pressure gas storage fuelling technology, alternative energy and analytic software for the design and secure operation of integrated electronic power system. BCH Services Asset Corp holds the assets, licenses and other contracts in connection with the Master Services agreement between BC Hydro and Accenture Business Services for Utilities (ABSU). ABSU assumed BC Hydro's customer service, IT, HR, financial systems, purchasing, billing and building and office services. The agreement represents BC Hydro's part to outsource $1.27 billion over 10 years in exchange for savings of $250 million over the same period. Over the 3 year period in which this contract has been in place, BC Hydro has saved $56.3 million. British Columbia Transmission Corporation (BCTC) is responsible for the planning, operating, and managing of BC Hydro's transmission system and is fully regulated by the BCUC. **Taxes:** BC Hydro is subject to local government taxes that are paid to municipalities and regional districts. As a Crown corporation, BC Hydro is exempt from Canadian Federal and Provincial income taxes. **Dividends:** BC Hydro is required to pay 85% of distributable surplus each year to the Province of British Columbia, subject to maintaining a 80:20 debt:equity ratio.

Company Address	Enel SpA Viale Regina Margherita 137-00198 Rome, Italy
Number of Employees	52,000
Ownership Structure (public/private)	Public Corporation Italian Economy Ministry holds 21.4% directly and indirectly it holds 10.2% through the state-run lender Casa Dpositi e Prestiti The remaining 68.4% is widely held free float with no single shareholder owning more than 2% of Enel SpA.
Market Capitalization (August 9, 2006)	€42,567.5 Million

Financial Information (LTM, in millions) – 12/31/2005	
Revenue	€34,059
EBITDA	€8,257
Interest Expense	€686
Net Income	€4,698
Total Debt	€13,263
Equity	€19,057
Dividend Payment	€3,472
CAPX	€3,037
Debt/Equity	41:59
Debt/EBITDA	1.61x
CAPX/Rev	8.9%

History and Business Structure

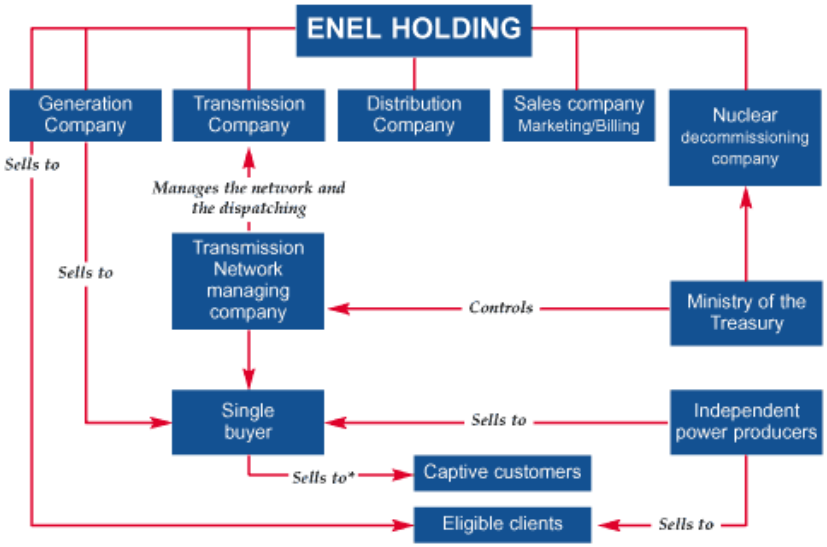
In 1962, the Italian Chamber of Deputies decided to nationalize the country's electricity system and Enel was formed. From 1962 until 1991, ENEL had a monopoly over the production of electricity in Italy. Laws No.9 and 10 of January 9, 1991 ended Enel's monopoly by allowing independent power production. This production had to be sold either 100% to Enel or to companies affiliated to the product with the excess over the needs of these companies required to be sold to Enel at regulated prices. Law no. 9 allows Enel to establish affiliates, both in Italy and abroad, and to acquire holdings in operations consistent with the Group's activities. In 1992, Enel is turned into a joint-stock* company whose lone shareholder is the Ministry of Treasury.

*A Joint-Stock company is an organization that falls between the definitions of a partnership and a corporation. The company has access to liquidity and financial reserves of stock markets, but also has the restrictions of a partnership (stockholders are liable for company's debt).

History and Business Structure (Continued)

In November 1995, Law No. 481 established principles for the liberalization of the Italian energy market in conjunction with the European reforms and created a new electricity authority (Electric Power and Gas Authority, 'AEEG'), taking away from Enel and the Ministry of Industry certain regulatory functions, such as the power to define tariffs and supervise dispatching and distribution. The law also confirms that electricity fees are to be uniform throughout the country. In June 1998, Wind (a telecommunications company 51% owned by Enel, and the rest owned by France Telecom and Detsche Telekom) won the tender for a mobile telephone license.

Figure 1. **Restructuring of ENEL foreseen by Bersani Decree**



* Sells to small clients implementing a single national rate, through ENEL distribution company and Municipal companies

SOURCE: Mediocreditocentrale

In February 1999, a bill was approved called the Bersani Decree which opened up the electricity industry to competition (production, import, export, purchase and sale of electricity can be freely practiced). Enel was required to be broken up into separate units for generation, transmission, distribution and sales to 'eligible' customers. These activities were allowed to be carried out by a single entity (Enel) as long as the accounting and management of the different divisions are kept separate. Enel was expected to reduce its ownership of generating capacity by selling off 'not less than 15,000 MW' by the end of 2002. Figure 1 displays how the Bersani Decree was expected to be implemented.

Electricity transmission, dispatching and the overall management of the national transmission network were allocated to the Transmission Network Operator, a company spun off from Enel following the free transfer of shares to the Italian Treasury.

Enel had already been preparing for the decentralization of operations since January 1997 based on the EU Directive 96/92 for the financial and operational 'unbundling' and to prepare for a broader deregulation and competition across European markets. In late 1999, Enel was privatized where more than 3.8 billion shares (31.74% of the company) were listed on the market, worth approximately €16.55 Billion. Enel SpA becomes a holding company, and the divisions became newly incorporated subsidiaries. Under this new structure, Enel looked to diversify via new business development and acquisitions.

History and Business Structure (continued)

According to the 1998 Annual Report (published in April 1999), a key objective for management of Enel was to increase the Company's equity value. In order to do that, the company had an active asset monetization strategy that focused on spinning off internal divisions into wholly or partially owned subsidiaries that would sell its services to the parent company as well as to other companies:

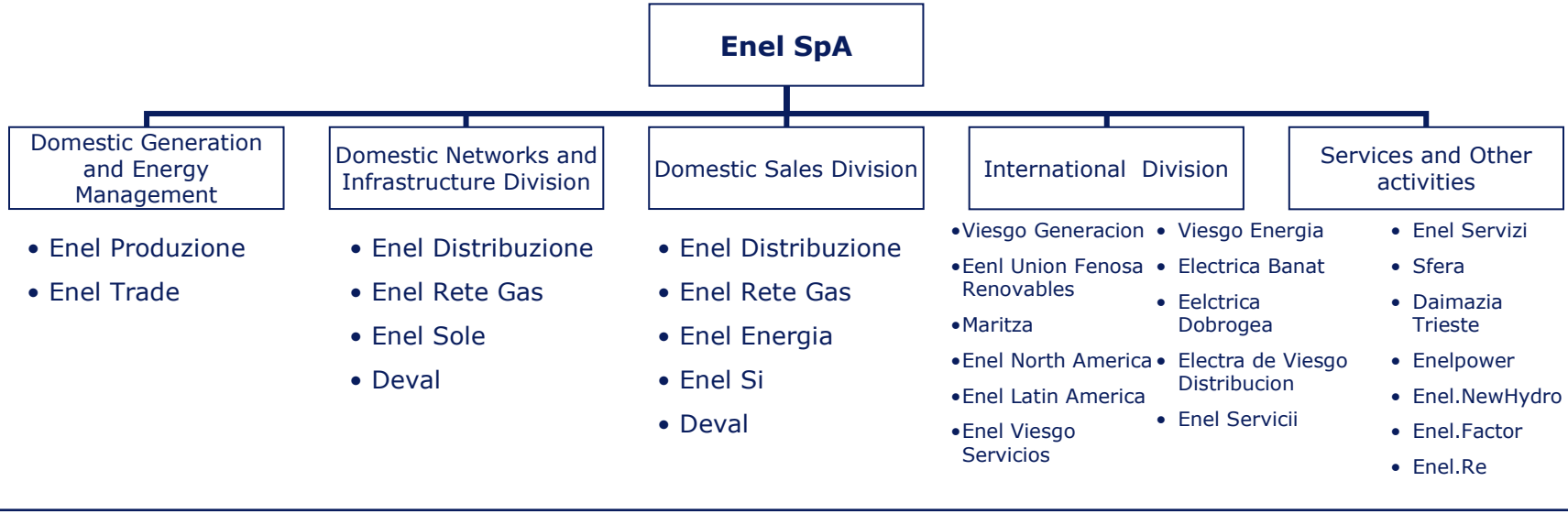
- WIND, for example, was a JV spin-off formed in 1998 but prior to 1998, was an internal division that supplied fixed and wireless telecommunications services to Enel only.
- Other businesses that were formed at this time were So.l.e, a public illumination company, and Seme, a beyond-the-meter distribution services company.
- An electricity-engineering consulting and contracting company (later named Enelpower) was formed to sell to international markets and based on Enel's internal know-how in the sector.
- Another Enel subsidiary, Ismes (renamed Enel.Hydro), was redefined from an internal water management operations division (that supported hydroelectric engineering within Research) to an outward facing company that would take advantage of the 'water market' opportunities such as the large-scale infrastructure for the collection and transport of water to be sold to water distribution companies.
- SEI SpA is a spin-off relating to maximizing the rents and value from Enel's real estate holdings. In 1999, the transmission network was transferred to the subsidiary Terna.

Further to the diversification strategy, Enel became an aggressive acquisitor of natural gas distribution companies such as Colombo Gas in order to retrieve sales and margins that may be lost in the transfer or electricity customers to local distribution companies. Finally, Enel maximized the value of its required sale of 15,000 MW of power by grouping its generation assets into 3 subsidiary companies to be sold rather than selling many individual generation assets.

This growth and diversification strategy supported Enel until 2001/2002, where Enel refocused on its core generation and distribution businesses and started selling its non-core subsidiaries.

History and Business Structure (Continued)

Business Structure:



Regulatory Framework

The Authority of Electricity and Gas is one of the most pro-active and pro-competition regulators in the EU. It is an independent body that makes its own decisions based on its governing regulations. In addition, to regulating the electricity and natural gas sectors in Italy, the Authority formulates observations and recommendations to the Government and Parliament and presents an annual report to Parliament and the Prime Minister on its activities and on the state of the regulated services. In its 2005 Annual Report, the Authority criticized what it saw as the excessive influence exerted on the electricity market by Enel and the gas market by former gas monopoly Eni.

The Authority's core functions are to:

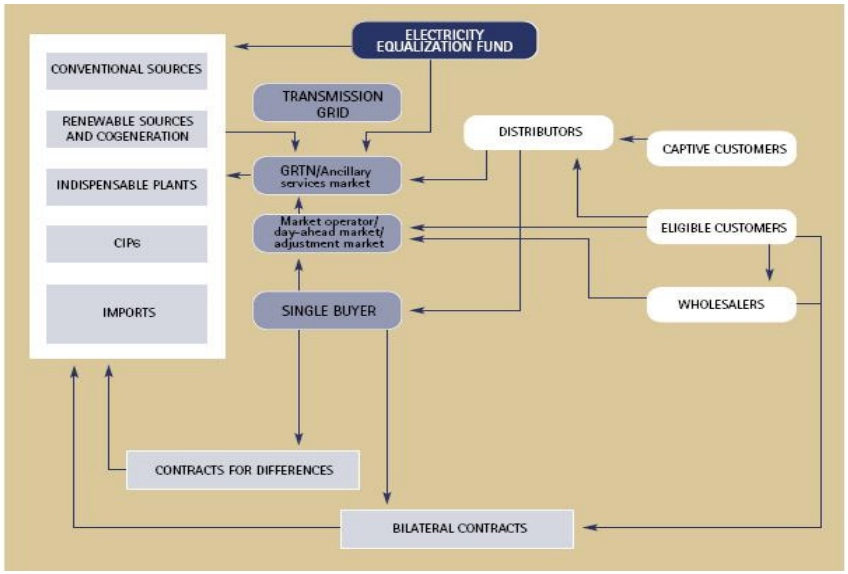
- Set basic tariffs for the regulated sectors including the maximum prices net of tax, and tariff adjustments based on a price-cap mechanism. The price-cap mechanism sets a limit on annual tariff increases corresponding to the difference between the target inflation rate and the increased productivity attainable by the service provider, along with any other factors allowed for in the tariff, such as quality improvements.
- Establish and monitor quality guidelines for the production and distribution of services, as well as specific and overall service standards.
- Formulate observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives.
- Issue guidelines for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organized.
- Monitor the conditions under which the services are provided, with powers to demand documentation and data, carry out inspections, obtain access to plants and apply sanctions, and to determine those cases in which operators should be required to provide refunds to users and consumers.
- Assess complaints, appeals and reports by individual users and, where necessary, to oblige service providers to modify service conditions or handle out-of-court settlements and arbitrate in disputes between users and service providers.
- Publish and circulate information on the supply of the services to provide the maximum transparency, competitive supply conditions, and the possibility for intermediate and final users to make more informed choices.

The European market is expected to have full market opening in July 2007. The Authority works with other European regulators to support the process of European integration and the realization of the single market.

Regulatory Framework (continued)

The figure on the right displays the economic flows in the Italian Electricity market. A recent development is the creation of the Power Exchange, an electricity market that opened on April 1, 2004. Since that time, the Authority is no longer responsible for defining the generation cost which is now set by a system of competitive bidding. The Authority has less need to to control the electricity generation price which is now set by a system of competitive bidding.

A critical player in the Italian electricity market is the Single Buyer. Based on a decree of December 30, 2003, the Ministry of Productive Activities made the Single Buyer – in place of Enel – the guarantor of the supply of electricity to the captive market (residences and small businesses). The Single Buyer is responsible for procuring power on behalf of distribution firms. The Single Buyer procures approximately 60% of its estimated total energy via long-term contracts and the other 40% is from the Power Exchange. The distribution firm will have local monopoly for the municipality that it covers but is subject to the maximum tariff regulations set by the AEEG.



The AEEG is ranked as the most effective regulator of the 20 European energy markets assessed by Datamonitor using its market competitive intensity index. Some of AEEG's recent actions include:

- In May 2005, the AEEG recommended that Enel be forced to give or lease some of its power generation facilities to new entrants in order to boost competition
- In April 2005, the AEEG ordered the transmission system operator (GRTN) and the power market operator (GME) to publish a series of indices in order to improve transparency in the wholesale market and to assist in the development of competition.
- Also in April 2005, the Authority concluded that Enel and Endesa had colluded to control prices on the Power Exchange. In February 2005, it had collaborated with the Italian antitrust authority to investigate competition issues in the Italian power market.
- Finally, the AEEG has also fined Eni (former natural gas monopoly) for poor billing standards and generally recommended the further breakup of or sale of Eni subsidiaries to further liberalize the gas market.

The Authority is at the forefront of European electricity and gas policy and is directly supporting the EU energy directives.

Governance Standards
As a public company, Enel's governance standards are similar to other large public corporations. Its reporting requirements are based on what is demanded by the public markets. The corporate governance system's aim is the creation of shareholder value, taking into account the social importance of Enel's activities and the need to adequately consider all interests involved in the carrying out of these activities. The ownership structure as a public company is a single class of registered ordinary shares entitled to full voting rights both in Ordinary and Extraordinary Shareholders' Meetings. The Board of Directors is entrusted with the management of Enel. The Board is made up of 3 to 9 members and the Italian government has the right to add one non-voting director (to date, the Italian government has not exercised this right). The Board of Directors are selected using a 'slate vote' mechanism whereby the shareholders vote for a slate of directors. Enel's current Board has nine members whose term expires after the approval of the 2007 financial statements (but can be reappointed after the expiration of their term). Of the nine members, eight members including the Chairman are non-executive directors. There are six directors that were designated on the slate presented by the Ministry of the Economy and Finance and three directors designated on the slate presented by institutional investors. In 2005, the Board held 21 meetings which lasted an average of over 2 hours and 30 minutes. The meetings were well attended and there were already 16 planned for 2006. The Compensation Committee was formed in 2000 which is responsible for the compensation of the CEO and other executive Directors, as well as the senior management compensation (based on the directions of the CEO. The Compensation Committee is made up of non-executive Directors and held 13 meetings in 2005. The Committee also approves the stock option plan and variable compensation plan for the Chairman, senior executives and the CEO (including the managerial objectives to be measured against).

Debt

Ratings

Moody's Credit Rating/Outlook: Aa3/Stable

Standard & Poor's Rating/Outlook: A+/Negative

	Moody's	S&P
Long Term	Aa3	A+

Guarantees

Of the 11 billion in debt, only 1.37 billion of long-term bonds and 91 million of bank debt is guaranteed by the Italian government. Prior to 1999, approximately 40% of Enel's debt was guaranteed by the Italian government. At that time, the only shareholder for Enel was the Italian government, therefore the entire debt was guaranteed by the Italian government.

Financing

Against the background of a further decline in long-term interest rates and the broad stability of short-term rates for the first nine months of the year, followed by a significant rise in short-term rates in the fourth quarter, Enel felt it was appropriate to continue its financial strategy of focusing on lengthening the average life of its debt and reducing the variable-rate component.

The debt to equity ratio fell from 1.29 as at December 31, 2004 to 0.63 as at December 31, 2005 due to a reduction of net debt of 12.2 billion through the sale of 62.75% stake in Wind (telco) and 43.85% stake in Terna (transmission network) and the related deconsolidation of their outstanding debt.

Regional Priorities/Strategies

Enel's strategy is 2005 is to focus on its core businesses of electricity and gas and to drive international growth by consolidating its position in other European markets and divesting its non-core businesses.

Also, Enel has reorganized its corporate structure in 2005 and created an International Division that will include all the Group's resources devoted to generation and distribution activities abroad, which had previously been divided among other divisions. The International Division's mission is to support Enel's international growth strategy which will require investments in research, analysis and identification of opportunities for acquisitions as well as managing and integrating foreign operations in the electricity and gas markets.

Other
The privatization of Enel in 1999 was expected since 1995, allowing management enough time to begin the process of 'unbundling' the company along divisional lines. However, the Bersani decree came in February 1999 allowing only a few months to set up all the incorporated subsidiaries to be ready for a November 1999 IPO. Enel's rapid compliance with new norms regarding the separation into newly incorporated companies of a number of activities and identification of generation capacity to be sold, together with the launch of a business diversification strategy, were positively received by the market, and contributed to the success of the privatization process initiated by the Treasury. Enel's stock placement was carried out through public offers in Italy, the US and Canada, in addition to a private placement reserved for Italian and foreign institutional investors. Total demand exceeded the value of Enel's entire capital stock. 87% or 70,303 Enel employees purchased 1.5% of Enel stock and there was no discount for employees.

Company Address	10065 Jasper Avenue Edmonton, Alberta T5J 3B1 Canada
Website	www.epcor.com
Number of Employees	2,600
Ownership Structure (public/private)	Private Company – owned by the City of Edmonton
Market Capitalization	N/A

Financial Information (LTM, in millions) - 6/30/2006	
Revenue	3,008
EBITDA	770
Interest Expense	141
Net Income	691
Total Debt	2,024
Equity	1,919
Dividend Payment	123
CAPX	196
Debt/Equity	51:49 (Target 65:35)
Debt/EBITDA	2.62x
CAPX/Rev	6.5%

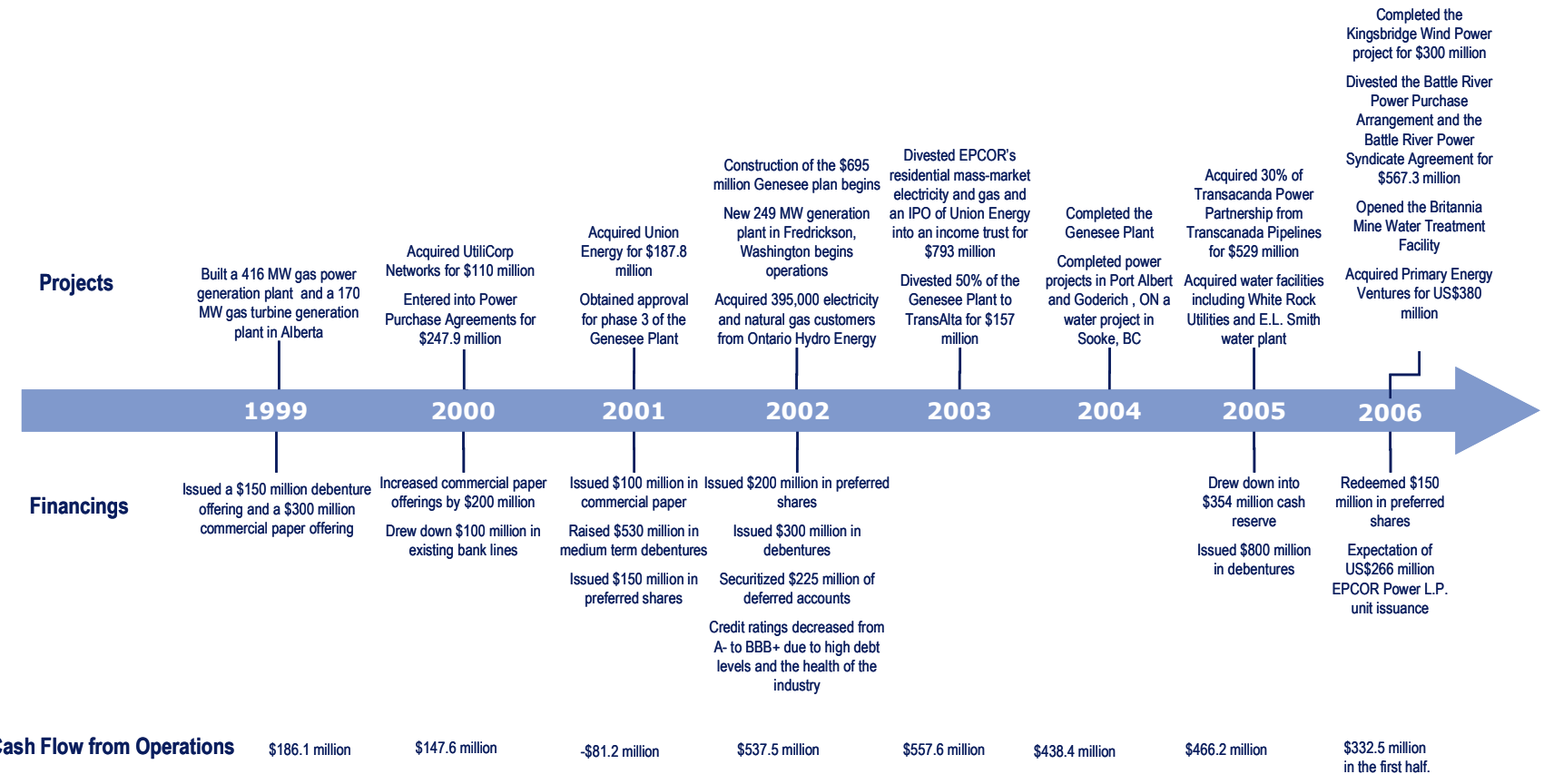
Company Background

EPCOR Utilities, Inc., through its subsidiaries, provides power and water-related products and services in North America. It operates through four segments: Generation, Distribution and Transmission, Energy Services, and Water Services. The Generation segment develops and operates rate-regulated and non rate-regulated electrical generation plants. It owns and operates approximately 2,489 MW of generating capacity produced from 21 generating stations in Alberta, British Columbia, Ontario, Colorado, New York State, and Washington State; 1 MW of commercial generating capacity from a wind-powered project in Ontario; 2 generating units with generating capacity of 820 MW in Alberta; 673 MW of coal-fired, gas-fired, hydro-electric, wind-powered, and landfill gas-fired commercial generating capacity through 6 plants in Alberta; 40 MW of commercial generating capacity from 2 hydro-electric plants in British Columbia; and 125 MW of commercial generating capacity from a gas-fired plant in Washington. The Distribution and Transmission segment transmits and distributes electricity in Edmonton. It also provides the installation and maintenance of street lighting, traffic signals, and power infrastructure for trolley and light rail transit. The Energy Services segment procures, markets, and sells electricity and natural gas to residential, commercial, and industrial customers in Alberta and Ontario. The Water Services segment is involved in the treatment and distribution of water in Edmonton and other communities. It provides water and wastewater services to commercial, industrial, and municipal customers.

EPCOR

History and Business Structure

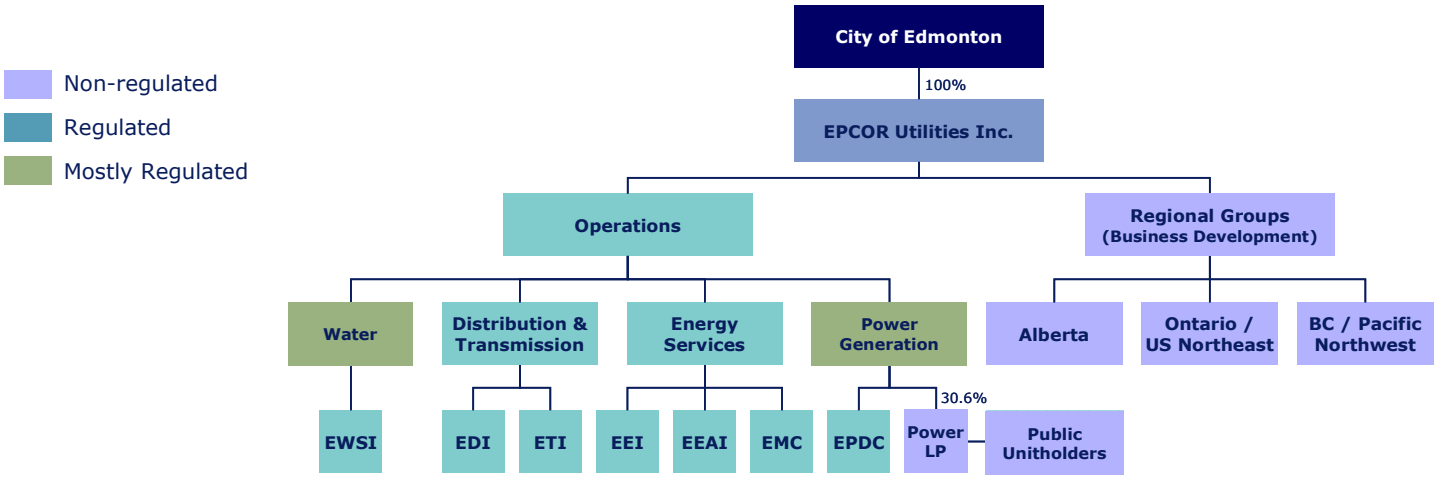
History:



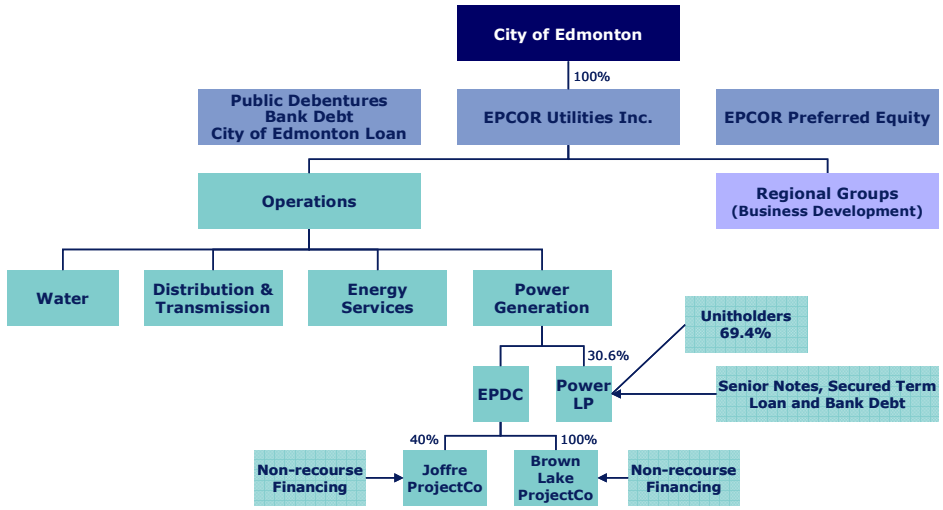
EPCOR

History and Business Structure (Continued)

Corporate Structure:



Financing Structure:



EPCOR

Regulatory Framework
EPCOR operates under the Electric Utilities Act (Alberta) and the regulations imposed by the Alberta Energy and Utilities Board (AEUB). As such, rates and tariffs for distribution are regulated to some extent (except for water supply to City of Edmonton). The following are regulated business lines: • EPCOR Energy Services: The procurement, marketing and sale of electricity and natural gas in Alberta • Power generation, developed pre-1996, is subject to Power Purchase Agreements which stipulates how retailers pay generators • Water Services (except for water supply to the City of Edmonton) • High capacity provincial transmission systems • Local distribution systems

Governance Standards
The Board is comprised of 13 "outside" (i.e. not members of Management) directors
The Board has established a Corporate Governance and Nominating Committee (CG&N Committee) to oversee the procedures related to the appointment of new directors. The CG&N Committee recommends procedures to the Board, for further recommendation to the City of Edmonton, whereby the City of Edmonton appoints the Chair of the Board and Board members. The CG&N Committee also reviews, monitors and makes recommendations on the effectiveness of the Board and individual Directors
Corporate By Law No. 1 of EPCOR states any individual that is a member of Council is not eligible to be a Director
None of the members of the Board own, either directly or indirectly, any interest in EPCOR
Twelve of the thirteen members are independent and one may not be independent
The Board also determines annually whether a Director has a relationship with the Shareholder (City of Edmonton)
Key characteristics for nomination are: profession, business/industry experience, government relations, region and gender

EPCOR

Debt

Credit Ratings:

EPCOR strives to meet or exceed targets established by the credit rating agencies to maintain its credit rating of BBB+. The key financial ratios are Debt/Total Capital, Funds from Operations / Debt and Preferred Shares, and Funds from Operations/Interest Expense.

	Moody's	DBRS	S&P
Short Term	Prime-1	R-1	A-1
Long Term	N/A	A (L)	BBB+

In 2005, Standard & Poor's reaffirmed EPCOR's credit rating for long-term debt at BBB+. Dominion Bond Rating Service's recent rating remained unchanged at A(low). The state of the electricity markets in general continues to be characterized by excess generating capacity in some North American regional markets, relatively high natural gas prices and environmental uncertainties. Specific risks cited for Canadian utility companies include declining allowed regulated returns on equity for rate regulated operations and the financing and execution of major development projects.

The credit issues facing North American utility companies have improved and at least one credit rating agency has characterized the Canadian and U.S. electric utilities as relatively stable. A rating change for EPCOR would likely impact interest costs and the availability of sources of investment capital.

Debt:

EPCOR has an approved capital structure of 65% Debt and 35% equity. EPCOR raises debt at the parent company, EPCOR utilities and then loans the funds to the various subs. EPCOR has issued preferred shares through 'EPCOR Preferred Equity' and then loans the funds to the parent company.

Guarantees:

Neither the Province of Alberta nor the City of Edmonton guarantee debt taken by EPCOR.

EPCOR

Regional Priorities/Strategies
EPCOR adopts the best available technology economically achievable to support service reliability, water quality, operational efficiency and cost effective environmental compliance
EPCOR focuses on four key elements including: Employees, Growth, Operational Excellence and the Environment
With a balanced portfolio of regulated wire and water business and unregulated commercial electricity business, EPCOR intends to increase shareholder value as a leading North American supplier of energy and water services

Other
Dividends:
EPCOR's dividend policy with respect to the common shares owned by The City of Edmonton has remained unchanged since 2000. Under the policy, the current annual dividend is set at the greater of the previous year's dividend adjusted for the forecasted change in the consumer price index or 60 per cent of earnings available to common shares of EPCOR in the applicable year.
The dividend policy is subject to amendment in the event of significant change in EPCOR's business or financial condition.
Dividends for the year are generally established in the fall of the previous year based on forecasted earnings.
Taxes:
EPCOR is municipally owned and was exempt from income taxes until January 1999.
Effective January 1, 1999, a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period.
EPCOR is also required to make payments in lieu of income taxes to the provincial Balancing Pool. These amounts are determined in a similar manner as taxable income under the Income Tax Act (Canada) or the Alberta Corporate Tax Act. EPCOR's effective rate for the last 12 months was 34%.
EPCOR's U.S. subsidiaries are subject to income tax pursuant to U.S. federal and state tax laws.

Company Address	483 Bay Street, 10th Floor Toronto, ON M5G 2P5 Canada
Website	www.hydroone.com
Number of Employees	4,189
Ownership Structure (public/private)	Private Company - owned by Province of Ontario
Market Capitalization	N/A

Financial Information (LTM, in millions) – 3/31/06	
Revenue	4,416
EBITDA	1,436
Interest Expense	260
Net Income	504
Total Debt	5,377
Equity	4,709
Dividend Payment	18
CAPX	712
Debt/Equity	53:47
Debt/EBITDA	3.74x
CAPX/REV	16.3%

History and Business Structure

Prior to the Energy Competition Act, introduced in 1998, Ontario's electricity power company was Ontario Hydro. It was a fully integrated electricity producer and distributor. The Energy Competition Act authorized the restructuring of Ontario Hydro and the eventual opening of wholesale and retail markets in Ontario.

The restructuring was such that four separate companies were formed:

1. Ontario Power Generation ("OPG") – produced electricity
2. Hydro One Inc. – provides transmission and distribution of power
3. Independent Energy Services Operator – acts as the settling agent for purchase/sale of power
4. Ontario Electric Finance Corp. – created to hold Ontario Hydro's debt load and wipe the balance sheets of the OPG and Hydro One clean

The driver for the restructuring Ontario Hydro into three distinct and independent companies was to enable Ontario Hydro to separate the operations from their current debt load in order to improve credit ratings and compete in open debt markets.

Please refer to the Ontario Power Generation business case for additional information on regulatory framework and other market issues regarding Hydro One.

hydro One

History and Business Structure (continued)

Hydro One Inc. was incorporated (originally Ontario Hydro) on December 1, 1998, under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the "Province"). The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario. These businesses are regulated by the Ontario Energy Board (OEB).

Hydro One Inc. has four operating companies:

Hydro One Networks - involved in the planning, construction, operation, and maintenance of the transmission and distribution network. The transmission system carries electricity from generating stations to local distribution companies and large industrial customers through a high-voltage network of transformer stations, transmission towers and wires. Hydro One Networks owns 97% of transmission in Ontario with almost 30,000km of high-voltage transmission lines. They also own and operate 26 interconnections with neighbouring provinces and states, which allow electricity to flow into and out of Ontario.

Hydro One Brampton Inc. - distributes electricity to the Brampton area urban centre

Hydro One Telecom Inc. – marketing group for excess fiber-optic capacity (This is the only non-regulated company)

Hydro One Remote Communities Inc. - Operates and maintains the generation and distribution assets used to supply electricity to 19 communities across northern Ontario that are not connected to the province's electricity grid

The capital structure is dictated by the regulator (OEB). Hydro One maintains a financial cushion wherever possible as there is little ability to build equity due to the need to provide a dividend to the Province/shareholder.

The main sources of revenue are derived from the Transmission and distribution of electricity. The split of revenue for 2005 and 2004 is as follows (in millions):

	2005	2004
Transmission	1,310	1,262
Distribution	3,085	2,874
Other	21	17

hydro One

Regulatory Framework

The electricity transmission and distribution businesses are licensed and regulated by the OEB. The OEB sets rates in proceedings through oral or written public hearings. These rates are based on the required level of revenue that the OEB allows for Hydro One to operate the regulated businesses, plus an approved rate of return.

Transmission Rates

The Independent Electricity System Operator ("IESO") remits payments to Hydro One based on the uniform transmission rates approved by the OEB for all transmitters across Ontario. Existing rates were set based on cost of service rate regulation. The OEB approved a transmission revenue requirement that provides for cost recovery and includes a return on deemed common equity, which in the last rate-setting period was targeted to be 9.88%.

Distribution Rates

The Distribution Company ("Disco") is responsible for delivering electricity and billing customers for approved distribution rates, purchased power costs, and other approved regulatory charges. The distribution rates are approved by the OEB, based on a revenue requirement that includes a rate of return. The distribution rates continue to be set based on cost of service rate regulation. The current rates include a targeted return of 9.88% on deemed common equity.

There are service level agreement that exist between all affiliates (regulated and non-regulated).

Governance Standards

Hydro One has entered into a shareholder's agreement with the Province relating to Hydro One's corporate governance. Under this agreement, Hydro One must provide the Province with the financial and non-financial information necessary to allow the Province to periodically inform Ontario's legislature regarding their ongoing performance. This information includes all significant or contentious matters, progress reports concerning compliance with market power mitigation measures, information in respect of all matters requiring shareholder approval and all financial reports. Additionally, the shareholder's agreement requires that they consult with the Province with respect to matters concerning their dividend policy and obtain approval from the Province in advance of any proposal to issue or transfer shares in Hydro One or its subsidiaries, any major transaction, including the sale of assets, which would potentially have a material effect on the financial interest of the Province or their ability to make payments to Ontario Electricity Financial Corporation or payments in lieu of taxes under the Electricity Act, 1998.

Board members are elected by the Province of Ontario (Cabinet) and should be Independent.

hydro One

Governance Standards (continued)
The by-laws of Hydro One provide that directors may receive reasonable remuneration for their services, commensurate with their duties, together with reimbursement for all reasonable expenses incurred in fulfillment of their duties, including travelling expenses. The amount of such remuneration is determined by the Board of Directors from time to time. The fees are reviewed periodically. Directors' fees, less statutory deductions, are paid quarterly. The Board of Directors determined that for the period of time that the Chair acts as both Chair and in the capacity of Chief Executive Officer, he would receive remuneration in the form of salary for both positions, and be eligible for a bonus up to a maximum of 50% at the end of his term, in the discretion of the Board of Directors.

Regional Priorities/Strategies
Hydro One is looking to make significant investments to address asset conditions and improve reliability of services. Key transmission investment areas include assets critical to supporting generating stations and reducing congestion on the main transmission grid, such as key transformer station upgrades and high-voltage line replacements, and protection and control equipment replacements. Key distribution investment areas include vegetation management, increased wood pole replacements, feeder sectionalization and defect management, aswell as customer care programs and the conservation and demand management program. Hydro One intends to make area supply improvements in the Greater Toronto Area (including central Toronto and adjoining communities) as well as across Ontario through investments in transmission infrastructure. They also plan to complete the Niagara Reinforcement Project and expect to undertake other reinforcement projects.

hydro One

Debt

Credit Ratings:

	Moody's	DBRS	S&P
Short Term	Prime-1	R-1 Middle	A-1
Long Term	Aa3	A	A

Hydro One strives to achieve and maintain an A credit rating. This objective drives the strategic and business objectives of the company. In general, Hydro One has received high credit ratings except from DBRS for its short term notes – rating was set at R-1 Middle – recently upgraded from R-1 Low. The reason being that DBRS believes there is a risk that Hydro One does not have sufficient cash flow to fully fund required capital expenditures related to transmission upgrades and required preferred dividend payments of $18M/year. However, the recent upgrade from low to middle was the result of stabilization of the regulatory framework in Ontario and recent decision by the regulator (OEB) supporting Hydro One's regulated operations.

Debt:

Hydro One incurred debt, on behalf of Hydro One and some of its subsidiaries, in connection with the acquisition of substantially all of the assets, liabilities, rights and obligations of Ontario Hydro's electricity transmission, distribution and energy services businesses. The aggregate principal amount of this debt outstanding as at December 31, 2002 was approximately $2.5 billion and was held by Ontario Electricity Financial Corporation in the form of notes with varying interest rates and maturity dates from 2002 to 2007. On February 20, 2003, $213,727,000 of additional notes were issued to Ontario Electricity Financial Corporation pursuant to an agreement between Hydro One and Ontario Electricity Financial Corporation dated February 20, 2003 to evidence payment by Hydro One to Ontario Electricity Financial Corporation of an amount to reduce the rate of interest payable on certain of the then outstanding notes.

Guarantees:

Hydro One does not have any provincial or other government guarantees. Although there is no official guarantee from the Province, it would be implied from a political perspective since the Government owns all of the shares of the company. The Province of Ontario's credit rating is AA on long term notes and

R-1(middle) for commercial paper. Debt growth and rising uncertainties in the outlook for the Province's key manufacturing sector continue to pose risks and have resulted in the middle rating for commercial paper.

hydro One

Other
Dividends: Common dividends are declared at the sole discretion of the Hydro One Board of Directors, and are recommended by management based on results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations. The preferred shares are entitled to an annual cumulative dividend of $18 million, which is payable on a quarterly basis. **Employee Compensation:** The Human Resources and Public Policy Committee establishes salary ranges for the positions held by executive officers following a review of market data from peer group, industry and national surveys provided by independent consultants. The peer group used by Hydro One for this purpose consists of Canadian utility and energy companies, both publicly and privately owned. Hydro One's policy for base salaries for executive officers is the 75th percentile of the target market. The actual level of base salary, within the approved range for each executive officer, including the Named Executive Officers, is determined on the basis of job function and the individual's performance and experience. Employees have a long-term incentive program which is performance based taking into account both organizational and individual performance. The pay-for-performance philosophy of Hydro One's executive compensation program applies equally to the President and Chief Operating Officer. The compensation of the President and Chief Operating Officer is recommended by the Committee and approved by the Board after careful assessment of personal contribution to the performance of Hydro One. This assessment is based on a number of quantitative and qualitative factors which include financial results, strategic planning and initiatives, personal leadership and business acumen. **Payments in Lieu of Taxes:** Hydro One and its subsidiaries are exempt from taxes under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) because they are wholly-owned by the Province. Pursuant to the Electricity Act, 1998, Hydro One and its subsidiaries are required to make payments in lieu of corporate taxes to the OEFC, in respect of each taxation year, generally equal to the amount of tax that we would be liable to pay under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) if they were not exempt from taxes there under. For the year ended 2005, the effective rate paid was 29.07%.

Company Address	75 Rene-Levesque Boulevard West Montreal, QC H2Z 1A4 Canada
Website	www.hydroquebec.com
Number of Employees	19,009
Ownership Structure (public/private)	Private Company – owned by Province of Quebec
Market Capitalization	N/A

Financial Information (LTM, in millions) – 3/31/06	
Revenue	10,967
EBITDA	6,430
Interest Expense	2,062
Net Income	2,327
Total Debt	35,741
Equity	18,533
Dividend Payment	1,126
CAPX	3,421
Debt/Equity	65:35
Debt/EBITDA	5.56x
CAPX/REV	32%

History and Business Structure

Hydro-Québec is a private company that generates, transmits and distributes electricity, mainly using renewable energy sources, in particular hydroelectricity. The company is vertically integrated with each function operating as a distinct division. It was created in 1944 by the Hydro-Québec Act of the Parliament of Québec and is an agent of the Province of Québec. All capital stock of Hydro-Québec is held by the Minister of Finance on behalf of the government of Québec.

The Act respecting the Régie de l'énergie gives Hydro-Québec the exclusive right to distribute electricity throughout the territory of Québec, excluding the territories served by a distributor operating a municipal, cooperative or private electric power system. The Generator supplies the Distributor with an annual heritage pool of electricity. Above that volume, the Distributor obtains its supplies on the open market. Transmission and distribution activities are regulated by the Régie de l'énergie.

History:

In the 1960's, Hydro-Québec was given an exclusive mandate to develop and operate hydropower sites not yet under concession to private interests. In 1963, when the government authorized it to proceed with the gradual acquisition of private electricity distributors, Hydro-Québec achieved Province-wide scope. In order to keep up with the growing demand Hydro-Québec built three major hydroelectric complexes in rapid succession: Manic-Outardes on the North Shore, Hamilton Falls (later renamed Churchill Falls) in Labrador, and the La Grande complex at James Bay.

History and Business Structure (Continued)

As a result of the second oil crisis (1979), the saturation of some electricity markets and the economic recession of the early 1980s, demand for electricity decreased significantly. The ensuing climate of uncertainty made it necessary for Hydro-Québec to overhaul its development strategy, which in turn led to successive amendments to the Hydro-Québec Act. By the early 1990s, the surpluses had been absorbed and expansion to meet the re-growth in demand ensued.

In 1997, the North American electricity market opened its doors to competition. Hydro-Québec obtained a power marketer licence from the Federal Energy Regulatory Commission ("FERC") for the U.S. wholesale market. The fact that it essentially produced hydropower and could depend on its reservoirs meant that it could capitalize on new business opportunities in the northeastern U.S. with short-term buying and selling. The company adapted well to the new deregulated environment, protecting the vested interests of Québec consumers and enriching Québec society. To meet the growing demand for electricity in Québec, Hydro-Québec continued to develop the economically viable hydroelectric potential that remains in Québec. From this new context emerged a renewed corporate structure in which Hydro-Québec's operations were grouped into four divisions.

The four divisions and their main functions are:

Hydro-Quebec Production:

- Generates Electricity
- Supplies the distribution company with up to 165TWH for the Quebec market (required by law)
- Sells electricity on wholesale market both inside and out of Quebec
- Carries out arbitrage and purchase/resale transactions on markets outside Quebec.

Hydro-Quebec Transenergie:

- Operates the transition system for customers inside and out of Quebec
- Transmits electricity and markets the system's transmission capacity while maintaining reliability

HQ Distribution:

- Responsible for supplying electricity to Quebec and ensuring reliable distribution system
- Has access to heritage pool supplies by HQ production at a fixed price (up to 165 TWH)
- Beyond heritage pool, it issues calls for tender in a free market
- Develops energy efficient programs for all customers categories

History and Business Structure (Continued)

HQ Equipment et la Societe d'energie de la Baie James / Prime are contractors in construction projects for HQ Production and Transenergie

Shared Services:
Hydro-Quebec has a Shared Services Centre which supports all divisions. It is responsible for the procurement of goods and services, material management, real estate management, transportation services, accounting services, document management, office automation systems, and information systems and technologies.

Markets Outside Québec:

Currently, the main markets outside Québec consists of neighboring networks located in Canada and the Northeastern United States. In order to access the US market, Hydro-Québec obtained a licence from FERC to have the right to sell energy. This licence is available to Qualifying Facilities ("QF") as defined by FERC – this essentially covers cogeneration facilities and small power production plants. The restructuring of Hydro-Québec into different operating divisions was also a means of achieving QF status.

In 2005, electricity sales outside Québec accounted for 8.3% of our total electricity sales, up from 8.0% in 2004. Additional sales commitments were met using electricity purchases and our surplus Québec generation capacity. Their energy-trading subsidiary, HQUS, is a member of New York ISO, RTO NE (New England) and PJM Interconnection (which includes all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia). Independent Systems Operators and Regional Transmission Organizations enable participants to buy and sell energy, schedule bilateral transactions and reserve transmission service. HQEM, wholly-owned energy-trading subsidiary operating in Canada, trades in the Ontario and New Brunswick wholesale markets. HQEM is a member of IESO.

Capacity:

In 2005, the total installed capacity was 34,571MW and also had access to 5,428MW from the Churchill Falls. The peak use during the year was 33,636 MW with the remainder being available for sale.

Regulatory Framework
Under the provisions of the Hydro-Québec Act, Hydro-Québec is mandated to supply power and to pursue endeavors in energy-related research and promotion, energy conversion and conservation, and any field connected with or related to power or energy. They are required, in particular, to supply a base volume of up to 165 TWh a year of heritage pool electricity for the Québec market, as set out in the Act respecting the Régie de l'énergie. Energy generated in excess of the heritage pool electricity may be sold on the market at market based rates. Purchase and sales transactions outside Québec are unregulated in Canada. The Régie fixes and modifies the rates and conditions for the transmission of electric power by the electricity carrier and the distribution of electric power by the electricity distributors. The Régie also examines consumer complaints about decisions rendered by the electricity carrier or the electricity distributor concerning the application of the rates or conditions of service. Currently, the transmission rates are set to yield a 9.72% return based on a capital structure with 30% shareholder equity. The distribution rates are set to yield a 8.4% return based on a capital structure with 35% shareholder equity. Exports of electric power are subject to the National Energy Board Act which provides that a permit or licence must be obtained from the National Energy Board of Canada ("NEBC") for such exports. The NEBC also regulates international power lines and Hydro-Quebec operates their interconnections with the United States in accordance with the terms and conditions of Certificates of Public Convenience and Necessity issued by the National Board and applicable federal regulations.

Governance Standards
Hydro-Québec's Board of Directors adopts practices that are in line with the new corporate governance legislation. It follows the guidelines set by the Canadian Securities Administrators to the extent that they apply to a government owned utility like Hydro-Québec even though, legally speaking, it is not required to do so because it is not a publicly traded company. The Board administers the company's business in accordance with the Hydro-Québec Act and its regulations and with the Companies Act. Its most important functions are set out in Hydro-Québec Bylaw No. 633 on the exercise of power by Hydro-Québec's Board of Directors and other administrative measures. The Board analyzes and adopts the Strategic Plan, which defines the company's main objectives, and the annual Business Plan, which establishes the budgets for each division and unit, and sets the company's annual performance targets. Other Board functions include the monthly review of financial results, the four-month review of management results, the periodic evaluation of integrated enterprise risk management and the selection and evaluation of senior executives. In addition, the Board regularly receives and analyzes the subsidiaries' activity reports, financial results and accountability reports. With the exception of the President and Chief Executive Officer, all of the Board members come from outside the company. The Board is responsible for compliance, at all times, with the rules stated in the Code of Ethics and Rules of Professional Conduct for Directors, Executives and Controllers of Hydro-Québec, which are based on the Regulation respecting the ethics and professional conduct of public office holders. Any non-fulfillment of the obligations defined in this code is drawn to the attention of the Chairman of the Board, who also chairs the Ethics and Corporate Governance Committee. The Board is composed of a maximum of 16 members appointed by the Québec government for terms of no more than five years, as well as the President and Chief Executive Officer, who is appointed by the Board with government approval. The Deputy Minister of Natural Resources is an ex officio, non-voting member of the Board.

Regional Priorities/Strategies
In General, Hydro-Québec will be expanding its renewal energy sources by integrating wind-power into the Province's power grid. This integration will facilitate an increase in capacity in order to meet Quebec's demand and also sell to outside markets. In order to facilitate this integration, the Company will be focusing on investing in upgrading and maintaining current facilities.

Regional Priorities/Strategies (Continued)

The strategies of the operating companies over the next 5 years are as follows:

Hydro-Quebec Production:

- Accelerate project development to increase hydroelectric generating capacity
- Facilitate Wind Power Integration
- Ensure efficiency and reliability of generating fleet

Hydro-Quebec TransEnergie

- Ensure transmission system reliability
- Become benchmark for quality and reliability in wind power integration
- Enhance performance through development of new technologies

Hydro-Quebec Distribution

- Promote efficient use of energy
- Increase customer satisfaction
- Favour the use renewal energy sources to meet energy demands

Debt

Credit Rating/Guarantee:

Hydro Quebec's debt is guaranteed by the Province of Quebec. Given these guarantees, the credit ratings are based on the Province of Quebec's credit worthiness. The province of Quebec's short term ratings are poor due to the high debt levels of the province. However, long term ratings are high in part due to the introduction of the Generations Fund aimed at decreasing debt levels and stability around labour contracts which were agreed upon with the major unions in Quebec.

	Moody's	S&P	DBRS
Short Term	P-1	A-1 +	R-1 (low)
Long Term	A-1 (positive)	A+	A

Other
Taxes: In Canada, the Corporation and most of its holdings are exempt from paying income taxes since they are government-owned. Entities operating in foreign countries pay income taxes according to the tax rules in effect in the country where they derive revenue and the application of a tax treaty between Canada and the country concerned, if any such treaty exists. The Company pays a tax on public services. In the 2006/2007 budget, the government announced the creation of the Generations Fund aimed at reducing provincial debt. Hydro-Quebec Production will help to finance this fund by paying water-power royalties on hydro generation. This will begin in 2007. **Dividends:** Under the Hydro-Québec Act, the dividends to be paid by the Corporation are declared once a year by the Québec government, which also determines the terms and conditions of payment. For a given fiscal year, they cannot exceed the distributable surplus, equal to 75% of the year's operating income and net investment income, less interest on debt securities and amortization of discounts and borrowing expenses. However, in respect of a given fiscal year, no dividend may be declared in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year. The Québec government declares the dividends for a given year within 30 days after the Corporation has sent it the financial data related to the distributable surplus. Upon expiry of the prescribed period, any portion of the distributable surplus that has not been subject to a dividend declaration may no longer be distributed to the shareholder as a dividend. For 2005, the Québec government declared dividends of $1,126 million ($1,350 million in 2004), which is less than the maximum permitted.

Énergie NB Power

Company Address	P.O. Box 2000 Fredericton, New Brunswick E3B 4X1 Canada
Website	www.nbpower.com
Number of Employees	2,565
Ownership Structure (public/private)	Private Company – Crown Corporation of the Province of New Brunswick
Market Capitalization	N/A

Financial Information (LTM, in millions) – 3/31/06	
Revenue	1,403
EBITDA	440
Interest Expense	201
Net Income	9
Total Debt	3,516
Equity	136
Dividend Payment	5
CAPX	335
Debt/Equity	100% Debt, except for Transmission subsidiary: 60:40
Debt/EBITDA	8.0x
CAPX/REV	24%

History and Business Structure

The New Brunswick Power Corporation ("NB Power") was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the New Brunswick Electric Power Act. On Oct. 1, 2004, the Government of New Brunswick introduced the Electricity Act and allowed for the creation of a competitive market for wholesale and large industrial electricity customers and expanded opportunities for development of non-utility generation. NB Power was restructured as a holding corporation with subsidiary operating companies.

The companies created by the Electricity Act are:

New Brunswick Power Holding Corporation (Holdco), which has generation (conventional and nuclear), transmission and distribution subsidiaries

- New Brunswick Power Generation Corporation (Genco), which assumed the conventional generation business of NB Power – includes responsibility for planning of electricity loads and production levels
- New Brunswick Power Nuclear Corporation (Nuclearco), which assumed the operation of Point Lepreau Generating Station
- New Brunswick Power Transmission Corporation (Transco), which assumed the transmission business of NB Power
- New Brunswick Power Distribution and Customer Service Corporation (Disco), which assumed the distribution and customer service business of NB Power

Énergie NB Power

History and Business Structure (Continued)

Additionally, Genco wholly-owns two subsidiaries:

- New Brunswick Power Coleson Cove Corporation (Colesonco), which owns and operates Coleson Cove Generating Station, with a generating capacity of 978 MW included in Genco's total capacity
- NB Coal Limited (NB Coal), which mines local coal to supply Grand Lake Generating Station

Transco is unique being the only subsidiary with a commercial capital structure that includes debt and equity. The commercial return provided to the Shareholder is an allowed regulated rate of return on equity.

The new operating companies are expected to manage their revenues and costs, achieve targeted returns and make dividend and special payments in-lieu-of income and capital taxes. The restructuring is expected to allow the Province to undertake a debt/equity swap that would permit the operating companies (excluding Nuclearco) to finance in debt markets without a provincial guarantee. Holdco provides strategic direction and support to the subsidiaries for communications, finance, risk management, human resources, legal and strategic planning through its corporate services. It also provides shared services on a cost-recovery basis in areas such as environment, information technology, real estate and records and information management.

The Provincial Government in restructuring NB Power is addressing several public policy issues through the recent restructuring. Its goals are to ensure:

- a reduction of financial risk to taxpayers
- a continuous supply of electricity without rate shock as experienced in other jurisdictions
- a controlled and deliberate approach to the opening of the electricity market
- that NB Power operates as an efficient business in a more competitive environment
- the new operating companies are on a level playing field with energy providers in the private sector
- an enhanced role for the Public Utilities Board

Énergie NB Power

History and Business Structure (Continued)

The Electricity Act created two other Crown Corporations necessary for market and corporate restructuring

1. The New Brunswick System Operator (System Operator), who is an independent, not-for profit Crown Corporation that directs the operation of the electricity market, maintains the long-term adequacy and reliability of the electricity system and administers the Open Access Transmission Tariff
2. The New Brunswick Electric Finance Corporation (Electric Finance), whose purpose is to facilitate the conversion of NB Power's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt.

The purpose of restructuring NB Power was to

- facilitate the creation of a competitive market within New Brunswick
- separate the integrated utility into functional entities and eliminate cross-subsidization between businesses
- allow stand-alone analysis for management incentive and efficiency
- allow the Province to undertake a debt/equity swap that would allow the operating companies to finance in debt markets without a provincial guarantee

The restructuring resulted in

- a common Chair, President & Chief Executive Officer (CEO) and Board members for Holdco and each operating company
- debt for equity swap in Transco only ($140 million)
- debt for debt swap in other operating companies
- access to long- and short-term debt requirements from New Brunswick Electric Finance Corporation (Electric Finance) until companies are able to borrow on their own credit
- dividends and other rights as prescribed in a shareholder's agreement
- negative net worth removed from the NB Power balance sheet ($187 million)

Restructuring did not create any new revenue in the system; it essentially reallocated revenue among the various companies to cover capital and operating costs. Disco collects revenue from the sale of power to in-province customers to cover its capital and operating expenses, as well as targeted returns. Genco and Nuclearco each generate revenue from Disco. The amounts Disco pays Genco and Nuclearco for the power to supply Disco customers are determined by the terms of power purchase agreements.

Énergie NB Power

History and Business Structure (Continued)

Genco, and to a much lesser degree Nuclearco, also generate revenue by selling power out-of-province. Québec is now New Brunswick's largest single customer for out-of-province sales although sales into New England continue to exceed those into Québec. In the near term New Brunswick will continue to supply 95 percent of Prince Edward Island's electricity needs.

Transco generates revenue from the Open Access Transmission Tariff, which is regulated by the New Brunswick Board of Commissioners of Public Utilities. The New Brunswick System Operator is responsible for tariff design and implementation, while Transco is responsible for determining and justifying its revenue requirement. Transco's tariff revenue is derived from delivering electricity from the generating stations to distribution system customers, large industries fed from the transmission system and neighbouring utilities.

Market

In New Brunswick, all customers will have access to standard electricity service at cost-based rates. No customer will be forced into the market. To ensure that adequate supplies of electricity will be available to all customers, a number of other safeguards are built into New Brunswick's new market structure:

- NB Power Distribution and Customer Service or other suppliers in the future must arrange to acquire adequate power and energy, including reserves, one year ahead of time.
- NB Power Distribution and Customer Service will have long-term contracts for the generation it requires to meet the needs of its provincial customers from the Heritage Pool (which are the existing NB Power generating resources).
- The new sector of the market that is competitive in New Brunswick (large industrial and wholesale customers - 42 in total) is a bilateral, negotiated contractual relationship, not a spot market. This means that prices will be set by negotiation between buyers and sellers for a minimum 12-month period. There will not be a bidding process with volatile hourly pricing like a commodity or stock market.

Énergie NB Power

Regulatory Framework

Distribution and Transmission:

Disco and Transco are regulated by the New Brunswick Board of Commissioners of Public Utilities ("PUB"). The PUB's role is to regulate the Open Access Transmission Tariff (OATT) administered by the New Brunswick System Operator ("NBSO"), license market participants, and approve rates charged by both Disco and Transco.

Nuclear:

Nuclearco is regulated by the Canadian Nuclear Safety Commission (CNSC) under the Nuclear Safety and Control Act (NSCA). The CNSC executes licensing decisions made by the Commission, and continually monitors licensees to ensure they comply with safety requirements that protect workers, the public, and the environment and uphold Canada's international commitments on the peaceful use of nuclear energy. The requirements are set out through the NSCA, its associated regulations, licences and directives provided by the CNSC.

All entities are governed by the Electricity Act, which means that the government and province of New Brunswick, through legislation, have significant influence over the direction of the companies.

Governance Standards

The board of directors is comprised of the president of the Corporation and ten directors appointed by the provincial cabinet, with one director designated as chair. Board members are business and community leaders representing a range of interests with the responsibility of directing the affairs of the Corporation in a manner consistent with sound business practices.

The board reviews issues related to business planning, finance, performance targets, risk management (environmental, health and safety) and senior management performance. The NB Power Group has a joint Audit Committee for the holding company and all of the operating companies. Each Corporation also has a Human Resources, Governance and Nominating Committee, as well as an Environment Committee. In addition to these committees, NB Power Nuclear Corporation has a Nuclear Oversight Committee.

Audit Committee - mandated to assist the Boards in meeting their responsibilities with respect to financial reporting, internal control and risk management. The committee directly interacts with the internal and external auditors.

Énergie NB Power

Governance Standards (Continued)

Human Resources, Governance and Nominating Committee - has three mandates:

1. Human Resources - The committee in this role exists to assist the Boards in establishing and maintaining appropriate board policies to guide the companies regarding outcomes to be achieved in the management and handling of human resources.
2. Governance - The committee in this role exists to assist the Boards in establishing and maintaining an effective system of corporate governance.
3. Nominating - The committee in this role exists to assist the Boards in maintaining a full slate of directors with the appropriate personal characteristics, experience and skill sets that provide for a mix of competencies on the Boards and facilitates diversity of opinion and effective governance of the Corporations.

Environment Committee - exists to assist the Boards in establishing and maintaining appropriate Board policies that guide the companies in respect to the outcomes to be achieved in meeting or exceeding their environmental obligations.

Nuclear Oversight Committee - responsible for monitoring the nuclear performance of the Corporation, particularly with respect to safety and operations issues, oversight of any refurbishment process and nuclear risk.

The Boards adopted a new governance model, that is policy-based and includes Board policies for Board processes, CEO and Board linkage, executive limitations and ends policies. A Governance Manual was developed, which included the process and structure used to direct and manage the business affairs of the NB Power Group, with the objective of enhancing shareholder value.

Énergie NB Power

Regional Priorities/Strategies
NB Power is focusing on improving generation assets and increasing revenue base – this will be achieved through the following identified projects: *The Point Lepreau Generating Station Refurbishment Project* – this Station is important to NB Power's environmental performance as it avoids significant carbon dioxide, sulphur dioxide and nitrogen oxide emissions. Its continued operation is also of particular importance due to the volatility in thermal fuel pricing and diversification of supply. The Point Lepreau Generating Station Refurbishment project is scheduled to occur during an 18-month outage beginning in April 2008. The $1 billion project will replace all 380 fuel channel and calandria tube assemblies and feeders. Other equipment replacements, inspections and upgrades will also be undertaken. Successfully completing the project will allow the station to operate for an additional 30 years. Expenditures to March 31, 2005 were $90 million, primarily for feasibility studies, engineering, analysis and project planning. *International Power Line Project* - Since 2001, Transco and Bangor Hydro, a wholly-owned subsidiary of Emera Inc., have partnered to construct the second International Power Line from Point Lepreau, New Brunswick, to Orrington, Maine. The construction is a $50 million project on the Canadian side, funded primarily through long-term firm transmission reservations. The line construction will provide increased revenue opportunities for Transco, a more secure supply of energy for the Province and enhanced system reliability and efficiency.

Debt
Debt: The Electricity Act resulted in the establishment of the New Brunswick Electric Finance Corporation (Electric Finance), a Crown Corporation and agent of the Crown, whose purpose is to facilitate the conversion of NB Power's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt. On Oct. 1, 2004, Electric Finance assumed the obligations of NB Power with respect to notes and debt instruments previously issued to the Province or to other third-party debt holders. These obligations included all notes and debentures existing at Sept. 30, 2004, including US dollar debentures and cross-currency interest rate swaps, as well as related accrued interest and deferred debt costs. In exchange for the transfer, Electric Finance issued a new debt portfolio to the Corporation, along with related accrued interest, common share equity of $140 million and contributed surplus of $187 million.

Énergie NB Power

Debt (Continued)

Credit Rating/Guarantees:

	DBRS
Guaranteed Short Term	R-1 (low)
Guaranteed Long Term	A (high)

The ratings for New Brunswick Power Holding Corporation are a flow-through of the ratings of the Province of New Brunswick which guarantees certain NB Power debt, with the remainder of NB Power's debt issued directly to the Province. With the restructuring of NB Power to New Brunswick Power Holding Corporation, the operating companies were re-capitalized with the transmission subsidiary at 60% debt/40% equity and all other subsidiaries at 100% debt compared with the previous 106% debt for NB Power. The Electricity Act provides for all subsidiaries, except for the nuclear generation subsidiary, to operate on a commercial basis with no government guarantee. The nuclear generation subsidiary will remain 100% debt financed and will continue to be guaranteed by the provincial government.

The reason for the low rating for short term secured debt is due to the volatility of results at New Brunswick Power Corporation and growing health care cost pressures that may pose challenges to the Province's fiscal results.

Other

Payments in Lieu of Taxes:

Effective Oct. 1, 2004, the Corporation is required to make special payments in lieu of taxes to Electric Finance. Total special payments in lieu of taxes consists of:

- an income tax component based on accounting net income multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts
- In 2005, $5M of payments in lieu of taxes were paid to the Electric Finance Corp.

Dividends:

Electric Finance, as sole shareholder, is entitled to receive dividends when declared by the Corporation's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Corporation. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding.

Dividends are declared and paid at an individual company level.

Company Address	Norsk Hydro ASA Drammensveien 264 N-0283 Oslo Norway
Website	www.hydro.com
Number of Employees	33,000
Ownership Structure (public/private)	Public Corporation Norweigan state owns 43.8% Norweigan investors own 16.2% US investors own 18.6%, UK investors own 8.9% Other investors own the 12.5%
Market Capitalization	€26,462

Financial Information (LTM, in millions) – 12/31/2005	
Revenue	€21,740
EBITDA	€7,880
Interest Expense (excludes capitalized interest - 2005)	€133
Net Income	€1,952
Total Debt	€3,308
Equity	€11,956
Dividend Payment	€629
CAPX	€2,199
Debt/Equity	22:78
Debt/EBITDA	0.42x
CAPX/Rev	10.1%

History and Business Structure

Norsk Hydro is today a leading offshore producer of oil and gas and the world's third largest aluminum supplier and a leader in the development of renewable energy sources. Norsk Hydro was organized as a public company in 1905 to utilize Norway's large hydroelectric energy resources for the industrial production of nitrogen fertilizers. Over the next few years, Norsk Hydro develops a calcium nitrate plant, along with the extensive development of the hydroelectric plants.

Following the end of the Second World War, Hydro expanded into a number of new businesses. In 1951, Hydro began to produce magnesium metal and polyvinyl chloride. In 1967, Hydro opened an aluminium reduction plant and semi-fabricating facilities, and built the Røldal-Suldal hydroelectric power project to provide energy to these facilities. In 1965 and 1967, Hydro commenced production of ammonia at two large ammonia plants in Norway, one of which used heavy fuel oil in the ammonia production process. As a result, Hydro began to investigate various opportunities to participate in oil and gas production. In 1965, Hydro obtained concessions from the Norwegian State to explore for petroleum on the NCS. Hydro and its partners discovered oil and gas in the Ekofisk field in 1969 and in the Frigg field in 1971. Exploration of these discoveries ensured Hydro a source of feedstock for its fertilizer plants and also brought Hydro into the petroleum refining and marketing business. In 1975, Hydro began oil refining operations as it was made operator for oil recovery in the North Sea.

History and Business Structure (Continued)

Norway's natural gas liquids resources and Hydro's experience in the chemical process industry served as the foundation for its investments in the petrochemicals industry in Norway, and in 1978, Hydro commenced production of ethylene and vinyl chloride monomer. In the 1980s, Hydro acquired a number of businesses, both in Norway. and in other areas. Hydro's expansion of its fertilizer operations resulted in Hydro becoming one of the leading suppliers of fertilizer in Europe.

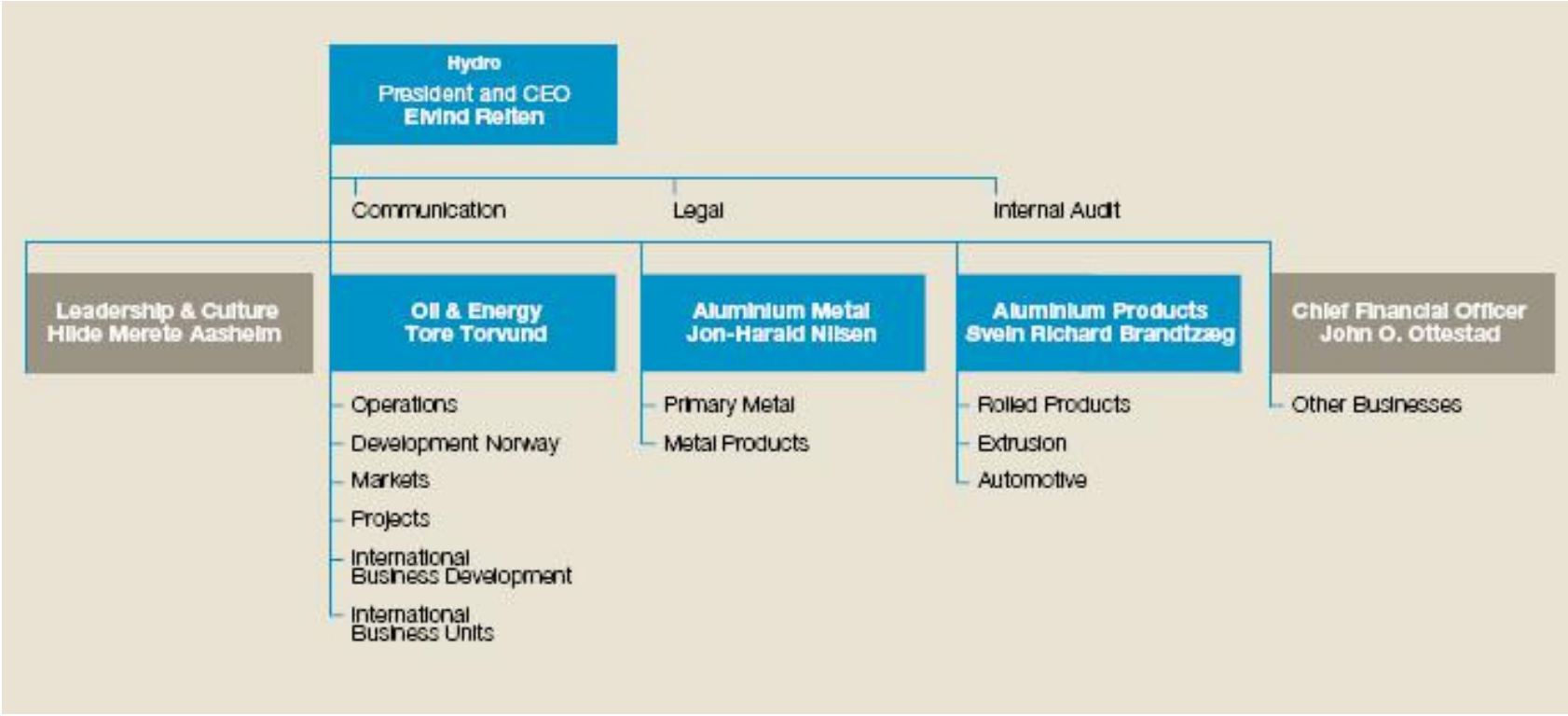
Hydro also entered a new era as an oil company, becoming operator of the Oseberg offshore oil field. Hydro also developed or tested new technologies for deep-water oil and gas production and horizontal drilling, which Hydro subsequently put to commercial use in developing the Troll oil project. In 1986-87, Hydro acquired the Norwegian State-owned aluminium company, Årdal og Sunndal Verk, and several European aluminium extrusion plants from Alcan and Alcoa, thus establishing Hydro Aluminium as a major business within Hydro and an important player in the European aluminium industry.

Recently, Norsk Hydro has grown as a result of substantial investments, including several acquisitions. In 1999, Hydro acquired Saga Petroleum ASA, a Norwegian-based oil company, merging Saga's operations into Oil & Energy. In 2002, Hydro acquired interests in eight oil and gas licenses on the NCS from the Norwegian State. This acquisition increased Hydro's interests in the Oseberg, Tune and Grane fields, where Hydro is the operator. Hydro paid USD $415 million for the license interests which expire between 2015 and 2032. In 2005, Hydro acquired all of the shares of Spinnaker Exploration Company in an all-cash transaction for USD $2.45 billion. In March 2002, Hydro acquired all the outstanding shares of VAW Aluminium AG for a total purchase price, including indirect acquisition costs, of USD $1.7 billion. Earlier in that same year, Hydro acquired the French building systems supplier, Technal. A significant portion of the expansion of these two core business areas has been financed through the sale of non-core businesses. In March of 2004, Hydro completed the demerger of its Agri business transferring all assets, rights, liabilities and obligations primarily relating to the Agri business to Yara International ASA.

Corporate Structure:

- The most profitable division for Norsk Hydro is the Oil & Energy division which consists of the following key sub-segments: Exploration and Production, as well as Energy and Oil Marketing.
- Exploration and Production is responsible for Norsk Hydro's oil and gas exploration activities, field development activities and the operation of production and oil transportation facilities.
- Energy and Oil Marketing consists of Norsk Hydro's commercial operations in the oil, natural gas and power sectors, the operation of hydroelectric power stations (Norsk Hydro is one of the largest producers of electric power in Norway - annual production of approximately 8.5 terrawatt hours), management of Norsk Hydro’s interest in the gas transportation system on the Norwegian Continental Shelf (NCS) as well as seaborne transportation of crude oil and other petroleum products. Energy and Oil Marketing also includes the new energy business activities like Wind Power.

History and Business Structure (Continued)



Regulatory Framework

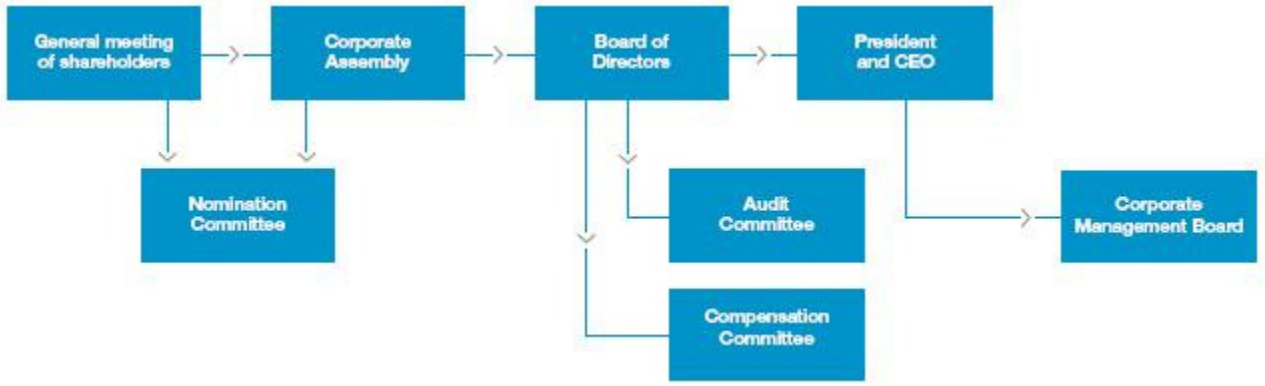
The Norwegian Water Resources and Energy Directorate (NVE) is the electricity regulator in Norway. NVE is a subordinate agency of the Ministry of Petroleum and Energy and is responsible for administration of Norway's water and energy resources. NVE has powers to issue regulations on market access and tariffs, economic and technical reporting, network income, neutral behaviour, customer information, metering, settlement and billing, organized physical power exchange, system responsibility, quality of supply, energy planning and emergency preparedness. The Norwegian market liberalized in 1991 and the market is now 100% open and provides the right to market to all customers in non-discriminatory conditions. Tariffs in Norway are regulated through an income cap regulatory model with incentive mechanisms and regulations on the tariff structure. Tariffs are completely independent of trading transactions. The composition of the income cap in the regulatory period of 2002 to 2006 is based on: Operating & Maintenance costs between 1996 and 1999, depreciation in 1999, average technical network losses between 1996 and 1999, capital employed as of December 31, 1999 and a given rate of return on capital including a 2% risk premium. Allowed income per company is adjusted by an efficiency factor calculated through benchmarking of all the network companies.

Although Norsk Hydro is one of the largest producers of power in Norway, the power is completely consumed by its own operations. The main hydroelectric power plants are located in Norway, with a normal annual production of approximately 8.5 TWh. Norsk Hydro's electricity portfolio includes owned generation facilities, long-term supply contracts, and internal and external sales contracts. A separate concession applies to each hydroelectric power plant. Hydroelectric power plants representing approximately two-thirds (5.8 TWh per year) of Norsk Hydro's normal production capacity will under the present legislation1) revert to the Norwegian government without compensation at the expiration date of each concession. The year of expiration of the individual concessions ranges from 2022 to 2051. Norsk Hydro's title concessions on the remaining part of the hydroelectric production capacity (2.7 TWh per year) do not contain a compulsory reversion to the Norwegian government. In addition to its hydroelectric power stations, Norsk Hydro is a partial owner (44 percent) of the Havøygavlen wind power plant with a normal annual production of about 105 Gigawatt hours (GWh).

As noted earlier, Norsk Hydro is a large consumer of power, and the power supply needs for its own industrial plants is larger than its own power generation. To meet the total demand, it has entered into long-term purchase contracts, the majority of which are with the Norwegian State-owned power company, Statkraft. These long-term contracts provide assurance of the availability of and predictable prices for a certain quantity of power to Norsk Hydro's power intensive industries. In 1997, Norsk Hydro entered into an agreement with Statkraft to purchase electricity from 2000 to 2020. The agreement replaces supplies under existing long-term contracts, which terminate during the 2006-2010 period.

Governance Standards

Norsk Hydro is a public corporation organized under Norwegian law with a governance structure based on Norwegian corporate law. Norsk Hydro's main share listing is on the Oslo Stock Exchange, which subjects it to Norwegian securities legislation and stock exchange regulations. It is also listed on four other European stock exchanges and the New York Stock Exchange subjecting it to the NYSE and SEC's regulations as well as Sarbanes-Oxley. The diagram below shows how the corporate governance model operates:



At the General Meeting of Shareholders, the shareholders elect their representatives in the Corporate Assembly, the external auditor, and approve the annual result and dividend proposed by the Board of Directors and recommended by the Corporate Assembly. The Corporate Assembly is made up of 18 members. 12 are elected by the shareholders, and 6 are elected by the group's employees. The Corporate Assembly elects the Board of Directors, nominates the external auditor to be elected by the shareholders and based on recommendations from the Board of Directors, makes decisions relating to substantial investments. Finally, the Corporate Assembly provides recommendations to the shareholders on the approval of the Board of Director's proposal on financial statements and dividend.

The Board of Directors is made up of nine members of which six are elected by the Corporate Assembly. The other three directors are elected by and among the Company's employees in Norway. Elections are normally made for a period of two years. In accordance with Norwegian law, the Board of Directors assumes the overall governance of the Company, ensures that appropriate steering and control systems are in place and supervises the day-to-day management as carried out by the President and CEO. All shareholder-elected members are external. No members elected by employees belong to the Company's executive management. Employee directors have no other service contractual agreements with the Company outside of their employee contracts, though they are subject to their duties as Board members.

Debt

Credit Ratings:

	Moody's	S&P
Long Term	A1	A-

Norsk Hydro's S&P Rating is A- and its Moody's rating is A1. Since the Norwegian State's 43.8% ownership of Norsk Hydro, it is regarded as a GRI (government related issuer) which is sufficient to raise the rating one level from A2 to A1. Standard & Poor's does not factor the State's ownership in Norsk Hydro in its rating. The ratings reflect Norsk Hydro's strong cash flow but that it is exposed to a volatile commodity and market cycle.

Nearly all of Norsk Hydro's debt is unsecured. However, the agreements and indentures contain provisions restricting the pledging of assets in Norsk Hydro ASA to secure future borrowings without granting equivalent status to existing lenders. There are no government guarantees on any of Norsk Hydro's debt. Over 80% of the debt is denominated in US dollars. All long-term debt carried fixed interest rates. The average maturity of the long-term debt is 14.3 years with 24.6% of the long-term debt coming due in the next five years.

As of December 31, 2005, total debt represented 21.5% of Norsk Hydro's capital structure. As of December 31, 2001, Norsk Hydro's debt represented 39.8% of the total capital structure.

Regional Priorities/Strategies

Norsk Hydro's key strategic initiatives are developed by each business segment. Within Oil & Gas, Norsk Hydro is looking to continue to increase their exploration activity within the NCS, especially with regards to the Ormen Lange project (the largest gas development project in Europe) which is approximately 60% complete. Norsk Hydro is looking for profitable production growth, realize the potential of strong portfolio, increase the resource base, and to continue to have technological and operational leadership. In addition, Norsk Hydro continues to focus on international expansion especially in the Gulf of Mexico but also in other countries Angola, Brazil, Nigeria and Canada (Hibernia, Hebron, etc.). They will likely compete for other oil and gas acquisitions that are a fit for their business.

Within the Aluminum products division, their focus is on increasing efficiency and restructuring/relocating unprofitable northern European plants to more favourable and cost-effective jurisdictions. Norsk Hydro is reducing its investments in Aluminum and is more focused on cash generation.

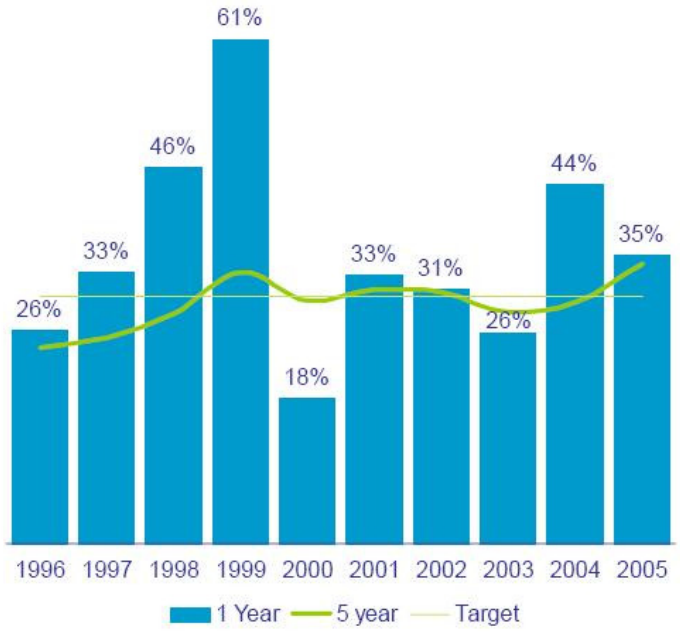
Norsk Hydro is also heavily investing in renewable sources of energy including wind power. In 2005, Norsk Hydro established a joint venture with Nord-Trøndelag Energiverk for development of wind power production in the Trøndelag region in Norway. In the UK, Norsk Hydro acquired 50 percent share in the Scira offshore wind power development project, which is planned to generate 315 MW.

Other

Norsk Hydro's key success factors was its flexibility to take advantage of the oil & gas exploration that was occurring in the NCS and developing a core competency in deep sea exploration. Norsk Hydro's stock price is now driven by the oil & gas markets.

Dividend Policy:

Norsk Hydro targets a 30% dividend payout over time. With volatile commodity prices causing earnings to increase rapidly, this will be a challenging to maintain a stable increase in the dividend amount. The following diagram showcases Norsk Hydro's dividend payout ratio over the last several years.



Company Address	Omaha Public Power District 444 South 16th Street Mall Omaha, NE 68102
Website	www.oppd.com
Number of Employees	2,300
Ownership Structure (public/private)	Political subdivision of the state of Nebraska
Market Capitalization	N/A

Financial Information (LTM, in millions) – 12/31/2005	
Revenue	USD 667
Operating Income	USD 111
Interest Expense	USD 51
Net Income	USD 82
Total Debt	USD 1,121
Equity	USD 1,366
Dividend Payment	N/A
CAPX	USD 228
Debt/Equity	45:55
Debt/Op. Income	10.0x
CAPX/Rev	0.34x

History and Business Structure

Omaha Public Power District is a publicly owned electric utility that provides power generation, transmission and distribution services in the State of Nebraska. OPPD was founded in 1946 and is based in Omaha, Nebraska. OPPD serves a population of 725,000 and has total accredited generation of 2,554 MW.

Regulatory Framework
Under the Enabling Act, the Board of Directors has the power to and is required to fix, establish and collect adequate rates, tolls, rents and other charges for electrical energy supplied by the District, which rates shall be fair, reasonable, nondiscriminatory, and so adjusted as in a fair and equitable manner to confer upon and distribute among the users and consumers of commodities and services furnished or sold by the district the benefits of a successful and profitable operation and conduct of the business of the district. The District's Board of directors has the power and is required to fix, establish and collect adequate rates, tolls, rents and other charges for electrical energy. District rates are not subject to regulation by any federal or State of Nebraska regulatory body under existing laws except relative to the settlement of rate disputes between suppliers of electricity and except for FERC which has jurisdiction to resolve disputes regarding rates for wholesale transmission service. The District covenants in the PIBS to fix rates and other charges adequate to provide revenues from the operation of the Electric System sufficient to pay the costs of operations and maintenance of the System, and in each calendar year, to pay the debt service requirements of the PIBs, the Senior Bonds and all other Debt of the district payable from and constituting a lien on the revenues.

Governance Standards
The District was created in 1945 under the authority of the Enabling Act as a public corporation and political subdivision of the State. All corporate powers of the District are vested in a Board of Directors consisting of eight members. The District has four electoral subdivisions comprised of substantially equal population per Director. Each Director is elected for a 6 year term. All of the District's funds are under the control of the Board of Directors, subject to the requirements of the authorizing debt resolutions of the District and State statutes.

Debt

Authorized by the Enabling Act to borrow money and incur indebtedness for any corporate use or purpose, provided moneys so borrowed shall be payable solely from the revenues, income, receipts and profits derived by the District from its ownership, operation and management of power plants and systems.

	Moody's	S&P
Long Term	Aaa (Insured), Aa3 (Uninsured)	AAA (Insured) AA- (Uninsured)

The District covenant stipulated that it shall not create any additional debt, including the issuance of additional PIBs, payable as to principal or interest from Revenues, which additional debt is superior to or on a parity with the payment therefrom of the PIBs secured as to principal or interest by a lien pledge or charge on such Revenues superior to or equal to the lien, pledge and charge thereon of the PIBs unless the net receipts as computed by the District. At least 1.00X scheduled debt service covenant following the incurrence of additional debt.

Concurrently with the issuance of the PIBs, Financial Guarantee will issue its Municipal Bond New Issue Insurance policy for the PIBs. The Policy unconditionally guarantees the payment of that portion of the principal and interest that has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the PIBs.

Credit ratings for the District are shown in the table:

Regional Priorities/Strategies

OPPD is committed towards debt reduction.

No other specific priorities or strategies have been identified.

Other
Taxes: The District is not liable for Federal or State Income or ad valorem taxes. However, as required by State law, the District makes payments in lieu of taxes annually to the Country Treasurer of each county in which it sells electricity at retail equal to 5.% of its gross revenues derived from sales with in the incorporated cities and villages in such county.

ONTARIO POWER GENERATION

Company Address	700 University Ave. Toronto, ON M5G 1X6 Canada
Website	www.opg.com
Number of Employees	12,000
Ownership Structure (public/private)	Private Company – owned by Province of Ontario
Market Capitalization	N/A

Financial Information (LTM, in millions) 3/31/06	
Revenue	5,948
EBITDA	2,050
Interest Expense	199
Net Income	603
Total Debt	3,594
Equity	5,586
Dividend Payment	Nil
CAPX	479
Debt/Equity	39:61
Debt/EBITDA	1.75x
CAPX/REV	8%

History and Business Structure

Ontario Power Generation Inc. ("OPG") is one of several successors to Ontario Hydro, the vertically integrated, electric utility monopoly in Ontario until April 1, 1999. OPG is an electricity generation company whose principal business is the generation and sale of electricity in the Ontario wholesale market, with surplus electricity being sold in the interconnected markets of Quebec, Manitoba and the U.S. northeast and mid-west. OPG was created under the Business Corporations Act (Ontario) all of the outstanding common shares are directly owned by the Province of Ontario (the "Province").

OPG holds it's hydroelectric and fossil generation assets directly through the Corporation and holds its nuclear generation assets through subsidiaries of the Corporation. The nuclear generation assets are leased back to and operated by the Corporation through OPG-700 University Inc.

Other Investments: OPG holds a 100% interest in OPG Ventures Inc. (a venture capital investment company), a 50% interest in Brighton Beach Power Ltd., a 49.95% interest in Brighton Beach Power L.P., a 50% interest in Huron Wind Inc., a 49.99% interest in Huron Wind L.P., a 50% interest in Portlands Energy Centre Inc. and a 49.95% interest in Portlands Energy Centre L.P.

Please refer to the Hydro One business case for additional information on regulatory framework and other market issues regarding OPG.

ONTARIO POWER GENERATION

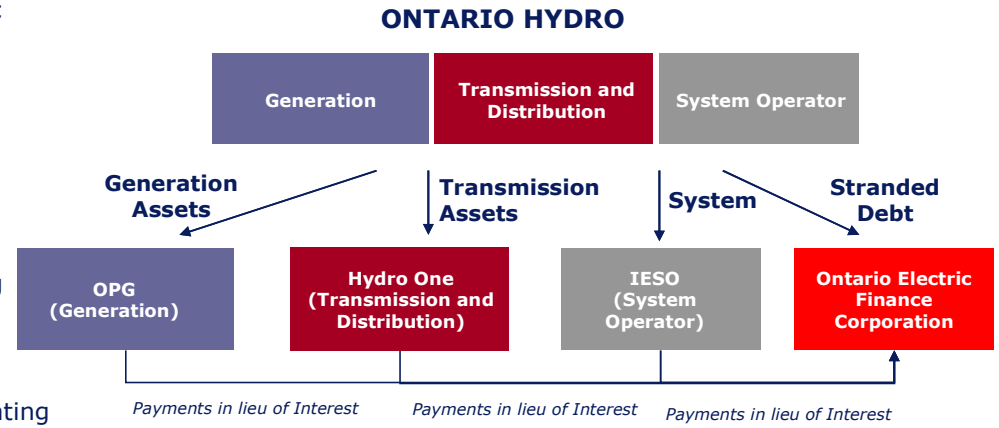
History and Business Structure (continued)

History:

OPG was formed after Ontario Hydro underwent a debt restructuring. Prior to the restructuring, Ontario Hydro was suffering from high debt loads and recurring losses, in particular, it was the power generation that was contributing most to this decline in financial position. The restructuring essentially created 4 separate companies:

1. Ontario Power Generation ("OPG") – produced electricity
2. Hydro One Inc. – provides transmission and distribution of power
3. Independent Energy Services Operator – acts as the settling agent for purchase/sale of power
4. Ontario Electric Finance Corp. – created to hold Ontario Hydro's debt load and wipe the balance sheets of the OPG and Hydro One clean

Ontario Hydro's debt was now moved to the Ontario Electric Finance Corp. and OPG and Hydro One could not start "fresh" and with a clean balance sheet. This would allow them to improve credit ratings to enter debt markets and also lead to the opening of the wholesale and retail energy markets in Ontario.



Following the restructuring, OPG was not able to shake its legacy of losses. In 2003, the government fired the three most senior executives at OPG after a report released indicated that the retrofit of a single reactor at the Pickering nuclear plant had come in $900 million over budget and three years behind schedule.

Since then, the company has turned around, The past two years have demonstrated significant improvements in operating results, this has led to upgrades in credit ratings and investor confidence. A summary of Revenue, EBITDA and NI over the years is shown below:

(in millions)	2002	2003	2004	2005	2006
Revenue	5,746	5,178	4,918	5,798	5,948
EBITDA	1,213	993	1,068	1,935	2,050
NI	67	(491)	42	366	603

ONTARIO POWER GENERATION

History and Business Structure (continued)

Business Segments:

OPG's business segments are: Regulated (Nuclear and Hydroelectric) and Unregulated (Generation and Other).

Regulated – Nuclear - generates and sells electricity from the nuclear generating stations (Pickering A and B, and Darlington) that it owns and operates.

Regulated – Hydroelectric - generates and sells electricity from its baseload hydroelectric generating stations. The business segment includes electricity generated by the Sir Adam Beck 1, 2 and Pump generating station, DeCew Falls 1 and 2, and the R.H. Saunders hydroelectric facilities. This business segment also includes ancillary revenues related to these stations earned through offering available generating capacity as operating reserve and through the supply of other ancillary services including voltage control/reactive support, certified black start facilities and automatic generation control.

Unregulated Generation - generates and sells electricity from its fossil-fuelled generating stations and from the hydroelectric generating stations not included in the Regulated – Hydroelectric segment. The Unregulated Generation business segment also includes ancillary revenues earned through offering available generating capacity as operating reserve, and through the supply of other ancillary services including voltage control/reactive support, certified black start facilities and automatic generation control, and revenues from other services.

Other - OPG earns revenue from its joint venture share of the Brighton Beach Power Limited Partnership ("Brighton Beach") related to an energy conversion agreement between Brighton Beach and Coral Energy Canada Inc. ("Coral"). In addition, the Other category includes revenue from real estate rentals. The revenue and expenses related to OPG's trading and other non-hedging activities are also included in the Other category. As part of these activities, OPG transacts with counterparties in Ontario and neighbouring energy markets in predominantly short-term trading activities of typically one year or less in duration. These activities relate primarily to physical energy that is purchased and sold at the Ontario border, sales of financial risk management products and sales of energy-related products.

ONTARIO POWER GENERATION

History and Business Structure (continued)

Market:

As a result of the opening of Ontario's electricity market to competition on May 1, 2002. Generators, both from within and outside Ontario, currently compete to sell electricity through the Independent Electricity System Operator ("IESO") administered spot market or through bilateral transactions. Other market participants include local distribution companies, large industrial facilities directly connected to the transmission system, other large industrial and commercial customers connected to the distribution system who opt to be wholesale market participants and retailers.

The IESO will enter into operating agreements with transmission owners which will continue to operate the system subject to regulation by the OEB. The IESO will determine the available capacity of the system, schedule energy transactions, and manage congestion and line losses using established Market Rules.

Regulatory Framework

IESO:

All market participants must be authorized by the IESO to cause or permit electricity to be conveyed into, through or out of the IESO-controlled grid and to participate in the IMO-administered markets. All market participants must install approved interval metering at their connection points to the grid. The IESO dispatches generators based on their offers to sell electricity and operating reserve.

Generators function as suppliers of energy and operating reserve that is priced by the IESO administered market. Prices in the IESO-administered market will fluctuate. Generators may fix the price that they receive for the sale of electricity by entering into bilateral or derivative contracts with third parties. In addition, the IESO and all generators, transmitters, distributors, wholesale sellers, wholesale buyers and retailers must obtain a licence from the OEB in order to participate in the Ontario electricity market.

OEB:

The OEB is responsible for regulating the electricity utilities market in Ontario. This includes setting rates and issuing licenses to all participants in the electricity sector. The OEB is responsible for electricity market oversight and ensuring that regulated electricity utilities comply with OEB decisions and orders. This includes conducting audits, performing compliance monitoring activities and monitoring various aspects of the electricity utilities' financial operating performance. OPG has received licences from the OEB as a generator, a wholesale buyer and seller and a retailer.

ONTARIO POWER GENERATION

Regulatory Framework (Continued)

Nuclear Regulation:

OPG's nuclear operations are heavily regulated. The Canadian Nuclear Safety Commission ("CNSC"), an agency of the Federal Government, regulates the plant operations through its powers under the Nuclear Safety and Control Act (Canada). In addition, OPG is also subject to the Nuclear Liability Act (Canada), as well as various legislation associated with labour and environmental matters. Under the Nuclear Safety and Control Act (Canada), all construction requirements, plant equipment, operating and safety system limits of OPG's nuclear generation stations are subject to approval by the CNSC. Under licences issued by the CNSC, OPG is required to provide routine reports on operations to the CNSC, which continually monitors and reports on the safety performance of OPG's nuclear generating stations.

Governance Standards

OPG's Board of Directors is made up of individuals with substantial expertise in managing and restructuring large businesses, managing and operating nuclear stations, managing capital intensive companies, and overseeing regulatory, government and public relations. Board members are selected by the Province of Ontario (Cabinet). The Board has established a number of committees, they are: *Audit and Risk Committee, Compensation and Human Resources Committee, Nuclear Operations Committee, Investment Funds Oversight Committee, Pickering A Oversight Committee and Major Projects Committee.*

The Corporation and the Province have entered into a shareholder's agreement relating to the governance of OPG. The shareholder's agreement addresses such issues as the provision of information regarding the ongoing performance of OPG, progress reports concerning compliance with market power mitigation, information in respect of matters requiring shareholder approval and appropriate financial reports. In addition, the shareholder's agreement addresses OPG's governance relationship with the Province with respect to certain actions, including any proposal to issue or transfer shares in the Corporation or any of its subsidiaries, the preparation of long-term business plans, matters concerning dividend policy and the entering into of any major transaction by the Corporation or any of its subsidiaries. The shareholder's agreement also deals with the issue of the release of certain non-public, commercially sensitive information regarding OPG to Ontario Hydro Services Company and others.

ONTARIO POWER GENERATION

Governance Standards (continued)

Overview of reporting functions:

- OPG is an Ontario Business Corporations Act ("OBCA") company and is subject to all of the governance requirements associated with the OBCA.
- OPG is also subject to the Freedom of Information and Protection of Privacy Act, the Public Sector Salary Disclosure Act and the Auditor General Act.
- OPG's regulated assets will be subject to public review and assessment by the Ontario Energy Board.
- OPG will annually appear before a committee of the Legislature which will review OPG's financial and operational performance.

Governance Remuneration:

The by-laws of the Corporation provide that directors may receive reasonable remuneration for their services, commensurate with their duties, together with reimbursement for all reasonable expenses incurred in fulfilment of their duties, including travelling expenses. The amount of such remuneration is determined by the Board of Directors from time to time. In addition to other fees, the chair of each committee is paid an annual retainer. The Corporation's Chairman is remunerated at an annual salary with such perquisites and benefits, exclusive of pension, provided to senior executives of the Corporation.

Regional Priorities/Strategies

OPG's strategy for the future focuses on the following areas:

- Improving performance of generating assets – including nuclear, fossil and hydroelectric generating assets
- Increasing generating capacity – through focus on increasing hydroelectric generation
- Effective cost management – includes the introduction of activity based costing
- Excellence in corporate governance, safety, social responsibility, corporate citizenship, and environmental stewardship

ONTARIO POWER GENERATION

Debt

During the restructuring of Ontario Hydro, a separate entity called the Ontario Electricity Financial Corp. ("OEFC") emerged whose main purpose is to manage the outstanding liabilities of Ontario Hydro, including "stranded debt". The Electricity Act defines stranded debt as the amount of the debt and other liabilities of the OEFC that cannot reasonably be serviced and retired in a competitive electricity market. At April 1, 1999, the Province estimated the stranded debt to be $20,900 million, representing the difference between OEFC's existing debt and liabilities of approximately $38,100 million and the aggregate enterprise value of OPG, Hydro One and the IESO of $17,200 million. Although OPG has no specific obligations in connection with the stranded debt, the Electricity Act does provide for stranded debt to be paid over time by payments to the OEFC by participants in the electricity sector. These payments include proxy taxes, debt retirement charges levied on electricity consumers, and other amounts that may be payable by local distribution companies or municipal corporations on the transfer of their electricity business

	DBRS	S&P
Commercial Paper	R-1(low)	A-2 (Cdn)
Long Term	A (low)	BBB+

Credit Rating:

The low credit ratings given to OPG are driven by the uncertainty associated with the closure of coal, nuclear refurbishment, new nuclear build and the direction of regulationbeyond 2008. In addition, OPG's regulated rates are based on an ROE of 5%, which is low in comparison to what the majority of regulated generation companies receive in other jurisdictions in North America. This ROE is also lower than what regulated transmission and distribution companies receive in Ontario (9.88% and 9%, respectively), each of which have lower business risk profiles than generation.

The Province and sole shareholder does not guarantee OPG's debt. Although there is no official guarantee from the Province, it would be implied from a political perspective since the Government owns all of the shares of the company. If OPG were to run into financial difficulty, it would be hard for the government to turn its back on the company since this is Ontario's power generating company and without it, Ontario's energy needs would have to be met by companies outside the Province. The Province of Ontario's credit rating is AA on long term notes and R-1(middle) for commercial paper. Debt growth and rising uncertainties in the outlook for the Province's key manufacturing sector continue to pose risks and have resulted in the middle rating for commercial paper.

ONTARIO POWER GENERATION

Other
Payments in lieu of taxes: Under the Electricity Act, 1998, OPG is responsible for making payments in lieu of corporate income and capital taxes to the OEFC. These payments are calculated in accordance with the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). This effectively results in OPG paying taxes similar to what would be imposed under the federal and Ontario tax acts. OPG makes payments in lieu of property tax on its nuclear and fossil-fuelled generating assets to the OEFC, and also pays property taxes to municipalities. OPG pays charges on gross revenue derived from the annual generation of electricity from its hydroelectric generating assets. The gross revenue charge ("GRC") includes a fixed percentage charge applied to the annual hydroelectric generation derived from stations located on provincial Crown lands, in addition to graduated rate charges applicable to all hydroelectric stations. GRC costs are included in fuel expense. **Dividends:** The declaration and payment of dividends are at the sole discretion of the Corporation's Board of Directors and will be dependent upon the Corporation's results of operations, financial condition, cash requirements, securities legislation and other factors considered relevant by the Corporation's Board of Directors. The Corporation's policy is to declare and pay regular dividends on its common shares held by the Province equal to approximately 35% of its net income from time to time. In addition, the Corporation may from time to time declare special dividends on account of any portion of the proceeds of any decontrol transactions. For fiscal year ended 2005, there were no dividends declared or paid.

Company Address	400 West Summit Hill Drive Knoxville, TN United States
Website	www.tva.com
Number of Employees	12,703
Ownership Structure	US Government Agency
Market Capitalization	N/A

Financial Information (LTM, in millions) – 9/30/2005	
Revenue	USD 7,794
Operating Income	USD 1,291
Interest Expense	USD 1,242
Net Income	USD 85
Total Debt	USD 23,100
Equity	USD 2,392
Dividend Payment	N/A
CAPX	USD 1,072
Debt/Equity	90:10
Debt/Op. Income	17.9x
CAPX/Rev	0.14x

History and Business Structure

TVA provides electric power, as well as navigation and flood control in the Tennessee Valley region. It operates fossil-fuel, nuclear, and hydropower plants, and also produces energy from renewable sources. The company manages the Tennessee river system to minimize flood risk, maintain navigation, provide recreational opportunities, and protect water quality. TVA provides power to distributors, industries and federal agencies. The Company also provides general stewardship of land, water, and wildlife resources. TVA also operates in Northern Alabama, North Eastern Mississippi, South Western Kentucky, Georgia, North Carolina and Virginia. TVA serves a population of 8 million people.

Regulatory Framework
TVA exists pursuant to legislation ("the TVA Act") enacted by Congress and operates within the bounds set by this legislation. Congress has the authority to control TVA's activities, change TVA's structure, or even eliminate TVA through legislation. TVA is not a public utility as defined in the Federal Power Act. Therefore, TVA is not subject to the plenary jurisdiction of FERC under the FPA. TVA is, however, subject to certain aspects of FERC's jurisdictions as an electric utility. TVA Act gives the Board sole responsibility for establishing the rates TVA charges for power The Act requires TVA to charge rates for power which, among other things, will produce gross revenues sufficient to provide funds for (1) operation, maintenance, and administration of its power system; (2) payments to states and counties in lieu of taxes; (3) debt service on outstanding Evidences of Indebtedness; and (4) annual payments to the Treasury in repayment of and as a return on the government's appropriation investment in TVA power facilities. Rate set by the Board are not subject to review or approval by any state or federal regulatory body. TVA is subject to FERC review of transmission rates and terms and conditions of service to ensure comparability of treatment of its and others regarding the same transmission service. While TVA may not freely sell power outside its current service area, TVA cannot be compelled to permit its competitors to use its transmission system to sell power within TVA's service area. Current law restricts the ability of other suppliers to sell power inside the TVA region.

Governance Standards

TVA is currently administered by a board of three persons appointed by the President and confirmed by the Senate. Appointments are currently for nine-year staggered terms, with one term expiring each three-year interval.

	Moody's	S&P
Long Term	Aaa	AAA

Consolidations Appropriations Act (2005) – increases the number of directors from three full time members to nine part-time members, at least seven of whom must be residents of the TVA service area. As with the current Board, future Board members will be appointed by the President and confirmed by the Senate, but will serve, after a transition period, five-year terms rather than the current nine-year terms.

Board's role: develop long-term plans and strategies for TVA, approve annual budgets and an employee compensation plan for TVA and have general responsibility for TVA policies. The Board will also create an audit committee.

Debt

The TVA Act requires the power program to be self-supporting from power-system revenues and capital TVA raises through its power program financings.

The TVA Act authorizes TVA to issue Evidences of Indebtedness in an amount not exceeding $30 billion outstanding at any one time.

Under certain circumstances, the TVA Act permits TVA to borrow up to $150 million for a period of one year or less from the United States Treasury.

Total Debt: $25.6 billion total financing obligations, 72% Other Long-Term Power Bonds; 10% Other Financing Obligations; 10% Short-term Notes; 4% electonotes (Retail bond program that offers bonds in $1,000 denominations); 4% other – Valley Inflation-Indexed Power Securities and Puttable Automatic Rate Reset Securities (PARRS).

TVA Act requires TVA to set power rates sufficient to pay, among other things, debt service on outstanding bonds

Both the principal and interest on TVA securities are generally exempt from state and local taxes. TVA securities are backed solely by the net power proceeds of the TVA power system and are neither obligations of nor guaranteed by the U.S. Government.

Regional Priorities/Strategies
Currently committed towards debt reduction – reducing the level of total financing obligations in order to create greater financial flexibility for the future business environment. TVA is responsible for managing the United States' fifth largest river system – to deliver multiple benefits, including year-round navigation, flood damage reduction, affordable and reliable electricity.

Other
TVA is not subject to federal income taxes, and it, its property, franchises, and income are not subject to taxation by states or their subdivisions. However, the act requires TVA to make payments in lieu of taxes to states and counties in which Corporation conducts power operations and in which the Corporation has acquired properties previously subject to state and local taxation. The basic amount of these payments is 5% of gross revenues from the sale of power during the preceding year. – TVA made payments of $365 million and $338 million in 2005 and 2004 respectively.

Appendix B – Survey Questionnaire for Short List of Companies

Case Studies of Short List of Companies
Survey Questionnaire for Short List of Companies

Deloitte.

INTERVIEW GUIDE

UTILITIES' JURISDICTION ANALYSIS

Introduction:

- Deloitte is conducting a review of the governance, corporate and capital structures of several electric utilities across the globe. This will include detailed research of publicly available information and consultations to supplement gaps and gain specific insights.

- The purpose of this interview is to gain a deeper level of understanding regarding the "how" and "why" behind the selections of your organization's governance, corporate and capital structures. All information collected during the consultations will be treated "without attribution".

- If desired, the results of this study can be provided to you on a "no-names" basis.

Hydro Attendees:
Deloitte Attendees:
Date & Time:

CORPORATE GOVERNANCE and OWNERSHIP STRUCTURE

1. How has the province / municipality granted you the authority to operate?
   a. How is the relationship with the municipality / province managed?

2. How is the organization governed?
   a. Is there an explicit strategy to manage the composition of the Board of Directors or other governance committees? How are different stakeholders represented on these committees? (government, private sector, internal management, etc.)?
   b. How independent is your Board of Directors or governing committee?

3. Please describe the regulatory environment that you operate within. How independent is your organization from the regulator?
   a. To what extent does government policy still influence your organization? For instance, are you still required to undertake business operations for the purpose of public policy rather than business reasons?

4. Are there regulatory constraints for the selection of your ownership, corporate or capital structure?
   a. Why have you selected your ownership structure (public corporation, private corporate, income trust, etc.)?
   b. Does your regulator allow you to leverage (financially or otherwise) the regulated affiliates to grow the non-regulated affiliates? Are there any restrictions placed on the operations of the regulated and non-regulated affiliates?

CORPORATE STRUCTURE:

1. What were the key drivers in determining your corporate structure (i.e., how your business units are organized)? What were the factors that influenced this decision? Some factors might include:
   a. Separation of regulated and non-regulated businesses
   b. Alignment with market opportunities
   c. Tax optimization
   d. Optimization of intercompany transactions
   e. Maximization of flexibility
   f. Other

2. How is the corporate structure designed to capitalize on growth opportunities?

CAPITAL STRUCTURE:

3. What were the key drivers for the selection of your capital structure?

4. What tax regime do you operate within? Do you have preferential tax advantages as compared to other businesses?

5. How did you determine your dividend policy?

EXECUTIVE COMPENSATION:

6. How is executive compensation administered and managed for senior level executives and the Board of Directors?
   a. Are there any constraints, regulatory or otherwise, in this regard?

CREDIT RATING STRATEGY:

7. To what extent is your credit rating managed as a matter of business policy?
   a. What are the variables that are managed in this regard?

EMPLOYEE/ PUBLIC PARTICIPATION:

8. Are employees able to benefit from your current corporate structure through mechanisms such as incentive compensation and stock purchase programs?
   a. To what extent are these programs used?

9. To what extent is the public permitted to participate in the ownership of your organization?
   a. To what extent is your organization owned by the public as opposed to institutions?

Appendix C – Other Canadian Companies

Additional Canadian Companies

Manitoba Hydro and Saskatchewan Power Corporation

- **The Manitoba Hydro-Electric Board:**
  - Provincial Crown Corporation focused on Electricity and distributing natural gas in the Province of Manitoba, with $2.4 billion in annual revenue (~80% Electricity, ~20% gas);
  - The largest exporter of Electricity in Canada - 47% of Electricity Revenue is from exports;
  - Total generating capacity of 5,469 MW - 98% of which is hydro;
  - Offers the lowest Retail Electricity rates in Canada, and one of the lowest in North America;
  - Strong credit ratings: AA- (S&P), Aa2 (Moody's), and A-High (DBRS)

- **Saskatchewan Power Corporation (SaskPower):**
  - Provincial Crown Corporation with $1.3 billion in annual revenue, from which 8.6% is from sales outside Saskatchewan;
  - Total generating capacity of 3,505 MW, with 56% of electricity generated through coal-fired plants and 22% from hydro. 12% of SaskPower Energy supplied is purchased power.
  - It operates The Wind Power Facility, with a generating capacity of 150 MW, currently the largest operating wind power facility in Canada.
  - Strong credit ratings: AA (S&P), Aa2 (Moody's), A High (DBRS).

Appendix D – Analysis of Long List of Companies

Analysis of Long List of Companies
Characteristics Used in Analysis

1) Government Ownership	• Identify level of Municipal, Provincial or Federal Government ownership in the company
2) Size of Company	• Measured by annual revenue, generating capacity and customer base. • Provides an indicative measure of an entity's financing ability and will, to a certain degree, determine its capital structure.
3) Customer Base:	• The customer base will affect the scope of operations, the expansion into more diversified businesses and therefore, financing ability.
4) Sources of Power Generation	• It will be important to review sources in view of the Plan. • Sources could include hydro, gas fired, coal fired, wind power or even nuclear power.
5) Diversification and Scope of Services	• It will be important to review sources in view of the Plan. • Diversification includes gas distribution, oil production / distribution, water services, telecommunications and other utilities.
6) Nature of Operations	• Analyzed based on level of integration in generation, transmission and distribution capabilities. • Level of integration may impact corporate structure, balance sheet characteristics, corporate governance and regulatory issues.
7) Credit Ratings	• It is an indicator of the Capital Markets perception about the company, and a reflection of the Financial and Strategic condition of a firm.
8) Regulatory Regime	• Identify the regulatory regime that the company operates within, broadly classified as: – Non Regulated – full competition with no regulation on pricing – Semi Regulated – restrictions on returns and pricing and exposed to certain demand risks – Fully Regulated – ROE (i.e., on regulated asset base) return is fixed, and no demand risk taken

Analysis of Long List of Companies
Details on European Companies

#	Company	Target Regions	Government Ownership	Customer Base	Generating Capacity (MW)	Est. Annual Revenues (*) (US$MM)	Sources of Power Generation	Diversification and Scope of Services (Generation, Distribution, Commercialization, Gas, Water, Other)	Nature of Operations	Credit Rating Moody's/ Fitch/S&P	Regulatory Regime
1	BKW FMB Energie AG	Northwestern Switzerland	Canton of Berne (52%)	1.3 Million	80% of Energy is purchased	1,514	2,120	Hydro (7 Plants, 5%), Nuclear (15%), Purchased Energy (Mostly Hydro, 80%)	Electricity	Integrated	NA/NA/NA
2	CEZ Group	Check Republic, Romania, Poland, Germany, Hungary, Bulgaria	National Property Fund (67.6%)	6.6 Million	n/a	6,100	150,000	Coal (53%), Hydro (35%), Nuclear (2%), Wind (2%), Solar (1%)	Electricity	Integrated	NA/BBB/BBB +
3	Electricidade de Portugal	Portugal and Spain	Government and public entities (~30%)	9 Million	11,300	12,500	14,800	n/a	Electricity, IT Services, Gas, Telecom	Integrated	A2/NA/A-
4	Electricite de France	France, U.K., Germany, Italy and China	French Government (20%)	40.2 Million (36.7 in Europe)	n/a	61,200	167,000 (Worldwide)	Nuclear, Fossil-fired, Hydro, Wind and other renewable sources	Electricity and Gas. Coal trading also.	Integrated	Aa1/AA-/AA-
5	Eneco Holding N.V.	Nederland and some parts of Belgium	64 Dutch Municipalities (Rotterdam being the largest ~31%)	n/a	n/a	4,400	4,653	Gas (53%), Coal (17%), Hydro (14%), Other Fossil Combustibles (3%), Wind (2.7%), Other (2.7%). 30-50% of Purchased Energy	Electricity, Gas and Heating	Integrated	NA/NA/A+
6	Enel SpA	Italy, Europe, North and Latin America	Italian Ministry of Economy (~30%)	23.4 Million	42,200	44,500	64,000	Hydro (~85%), Thermal and GeoThermal (14%), Wind and Solar (1%)	Electricity and Gas	Integrated	Aa3/A+/A+
7	HEP Hrvastka Elektro-privreda	Croatia	51% Government	2.3 Million	3,995	9,100	n/a	Hydro (52%), Thermal (35%), Nuclear (8.5%), Other is Purchased Energy	Mainly Electricity. Also, Heating and Gas.	Integrated	NA/NA/BBB

(*) Estimate annual revenues and number of employees are estimated amounts taken from various business databases and companies websites. In some cases those databases and websites are not consistent and information is out-of-date.

Analysis of Long List of Companies
Details on European Companies

#	Company	Target Regions	Government Ownership	Customer Base	Generating Capacity (MW)	Est. Annual Revenues (*) (US$MM)	Sources of Power Generation	Diversification and Scope of Services (Generation, Distribution, Commercialization, Gas, Water, Other)	Nature of Operations	Credit Rating Moody's/ Fitch/S&P	Regulatory Regime
8	National Grid PLC	U.K, U.S (North Eastern New York)	Publicly listed, investors owned	33 Million in the U.S.	14,000 Miles of Transmission Lines in the U.S.	16,700	20,000	No Generation	Electricity, Gas, Wireless Networks	Distribution and Transmission	A2/A-/A-
9	NORSK Hydro	Norway (Electricity)	43.8% owned by th Ministry of Trade and Industry	350 Thousand (Electricity only)	2,000	30,000 (All product lines)	32,765	Hydro Power (19 Power stations)	Oil, Gas and other sources of Energy. Electricity in Norway.	Generation and some Transmission	A1/NA/A-
10	Polish Power Grid Co.	Poland	Polish State Treasury	n/a	Transmission Lines Only	4,500	191	No Generation	Transmission of Electricity only	Transmission Lines	NA/NA/NA
11	Ratia Energie AG	Italy, Nederland, Germany	Cantone del Grigione (46%)	n/a	n/a	677	480	90% of Energy is purchased	Electricity	Some parts are Integrated	NA/NA/NA
12	Services Industriels de Geneva	Geneva (Switzerland)	City of Geneva	n/a	Mostly purchased energy	6,897	1,621	Hydro (Owned 30%, Contracts and partially owned companies 70%)	Electricity, Water, Gas, Heating	Some parts are Integrated	NA/NA/NA
13	Tennet Holding B.V.	Nederland and Western Europe		n/a	Transmission Lines Only	566	493	No Generation	Transmission of Electricity only	Transmission Lines	NA/NA/NA
14	ZEPAK	Poland and Europe	State Treasury (~50%)	n/a	2,338	584.0	1,700	Lignite Fired	Electrical Generation, Installations, Property Management, Electrical Equipment and Wiring, Transportation and others	Generation	NA/NA/NA

(*) Estimate annual revenues and number of employees are estimated amounts taken from various business databases and companies websites. In some cases those databases and websites are not consistent and information is out-of-date.

Analysis of Long List of Companies
Details on US Companies

#	Company	Target Regions	Government Ownership	Customer Base	Generating Capacity (MW)	Est. Annual Revenues (*) (US$MM)	Sources of Power Generation	Diversification and Scope of Services (Generation, Distribution, Commercialization, Gas, Water, Other)	Nature of Operations	Credit Rating Moody's/ Fitch/S&P	Regulatory Regime
1	Alliant Energy	Iowa, Illinois, Minnesota and Wisconsin	Publicly owned company, with several institutional shareholders and others	989 Thousand	5,000	3,411	Coal, Gas, Wind and others (some of the Electricity is purchased)	Electricity and Gas	Integrated	NA/NA/BBB+	Primarily unregulated
2	Austin Energy	Austin	Community owned	360 Thousand	2,600	800	Gas (69%), Coal (23%), Nuclear (15%), Renewable (1%)	Electricity and Water and Sewage	Integrated	A2/A+/A	Primarily Unregulated but no competition
3	Cleveland Public Power	City of Cleveland	Municipally owned	n/a	n/a	n/a	n/a	n/a	n/a	Baa3/NA/BBB-	n/a
4	CPS Energy	San Antonio, TX and Adjacent area	City of San Antonio	640 Thousand	n/a	1,700 (Electricity only)	Coal (43%), Nuclear (34%), Gas/Oil (18%), Wind (5%)	Gas and Electricity	Integrated	A1+/AA+/AA	Primarily unregulated, but limited competition
5	Dominion Resources Inc.	Midwest, Mid-Atlantic and Northeast regions of the U.S.	Publicly owned company, with several institutional shareholders and others	2.3 Million	28,100	18,262	Coal, Gas, Nuclear, Oil, Hydro and purchased power	Electricity, Oil and Gas	Integrated and many other services and operations in Gas and Oil	Baa2/NA/BBB	Primarily unregulated
6	Electric Power Board of Chattanooga	Greater Chattanooga and North Georgia	Government	165 Thousand	No Generation	361	n/a	Electricity and Telecommunications	Not much generation, but it has transmission and distribution	NA/AA/NA	Primarily unregulated
7	Greeneville Light Power Systems	Greenville	n/a	n/a	n/a	n/a	n/a	Distributor only	Distributor only	NA/NA/NA	n/a
8	Jacksonville Electric JEA	Jacksonville, FL	City of Jacksonville	360 Thousand	2,361	1,300	n/a	Electricity and Water and Sewage	Integrated	NA/AA/NA	Primarily unregulated

(*) Estimate annual revenues and number of employees are estimated amounts taken from various business databases and companies websites. In some cases those databases and websites are not consistent and information is out-of-date.

Analysis of Long List of Companies
Details on US Companies

#	Company	Target Regions	Government Ownership	Customer Base	Generating Capacity (MW)	Est. Annual Revenues (*) (US$MM)	Sources of Power Generation	Diversification and Scope of Services (Generation, Distribution, Commercialization, Gas, Water, Other)	Nature of Operations	Credit Rating Moody's/ Fitch/S&P	Regulatory Regime
9	Long Island Power Authority (LIPA)	Long Island, NY	Government of Long Island	1.1 Million	5,100 (Purchases 4,900 MW)	3,200	Purchased Energy and some nuclear generation	Electricity	Purchases the electricity	NA/A-/NA	Primarily Regulated
10	Los Angeles Department of Water and Power (LAWP)	Los Angeles	Municipal	1.4 Million + Water Customers	7,200	24,000	Coal (52%), Gas (26%), Hydro (6%), Nuclear (11%), Renewable (5%)	Electricity and Water and Sewage	Integrated (Generation, Transmission and Distribution)	NA/AA-/NA	Primarily regulated
11	Memphis Light, Gas & Water Division (MLGW)	Memphis, TN, Shelby, TN	City of Memphis	420 Thousand (Electrical only)	No Generation	1,100 (Electric Division only)	Purchased from Tennessee Valley Authority (TVA)	Electricity, Gas and Water	Purchases the electricity	NA/NA/NA	Primarily Regulated
12	Nashville Electric Service (NES)	Nashville, TN	Metropolitan Government of Nashville and Davidson County	340 Thousand	No Generation	785	Purchased	Electricity	Purchases the electricity	NA/AA/NA	Primarily Regulated
13	Omaha Public Power District	South East Nebraska Counties	Political Subdivision of the State of Nebraska	316 Thousand	2,500	692	Coal (63%), Gas (31%), Renewable (6%)	Electricity	Generation and Distribution	Aa3, Aaa (Insured) /NA/AA-, AAA (Insured)	Primarily Regulated
14	Provo City Department of Energy - Provo City Power	Provo	n/a	n/a	n/a	n/a	n/a	n/a	n/a	NA/NA/NA	n/a
15	Salt River Project (SRP)	Phoenix Area	State of Arizona	858 Thousand	7,400	2,200	Coal (~52%), Nuclear (~30%), Gas (14%), and some Hydro	Electricity and Water	Some transmission is integrated	A1+/NA/AA+	Primarily unregulated

(*) Estimate annual revenues and number of employees are estimated amounts taken from various business databases and companies websites. In some cases those databases and websites are not consistent and information is out-of-date.

Analysis of Long List of Companies
Details on US Companies

#	Company	Target Regions	Government Ownership	Customer Base	Generating Capacity (MW)	Est. Annual Revenues (*) (US$MM)	Sources of Power Generation	Diversification and Scope of Services (Generation, Distribution, Commercialization, Gas, Water, Other)	Nature of Operations	Credit Rating Moody's/ Fitch/S&P	Regulatory Regime
16	Seattle City Light	Greater Seattle Area	City Light Department, Public Energy Utility of City of Seattle	376 Thousand	1,200	748	n/a	Mainly Electricity	Integrated (some grids are owned by third parties)	NA/NA/NA	Primarily Unregulated
17	Tennessee Valley Authority	Tennessee, Alabama, Georgia, Kentucky, Mississipi, North Carolina, Virginia	Government of Tennessee	8.5 Million	33,000 (18,100 Owned)	8,200	Coal (60%), Nuclear (30%), Hydro (10%). It also has Wind, Solar and Methane Gas generation	Electricity	Generation and Transmission (some distribution capabilities)	Aaa/NA/AAA	Primarily Regulated
18	Wisconsin Energy Corporation	Wisconsin and Michigan	Publicly owned company, with several institutional shareholders and others	1.1 Million	n/a	3,900	n/a	Mainly Electricity, Gas, Steam and Water	Various	A2/A-/BBB+	Both regulated and unregulated markets
19	WPS Resources (WPSR)	North Eastern Wisconsin, Michigan and Minnesota	Publicly owned company, with several institutional shareholders and others	50 Thousand only electric (public 400,000)	n/a	7,500	n/a	Various, mainly Gas	Various	A1/NA/A-	Primarily unregulated

(*) Estimate annual revenues and number of employees are estimated amounts taken from various business databases and companies websites. In some cases those databases and websites are not consistent and information is out-of-date.