Exhibit No. MJV-1

McShane's Recommended Cost of Equity and the Implied ATWACC

McShane's Recommended Return on Equity [1]	% of Equity [2]	Cost of Debt [3]	% of Debt [4]	% of Non-Cost Capital [5]	Representative Tax Rate [6]	Implied ATWACC [7]	Implied BTWACC [8]
At the Forecast Capital Structure in 2002							
3.00%	15.27%	8.35%	83.18%	1.55%	40%	4.63%	7.40%
11.25%	15.27%	8.35%	83.18%	1.55%	40%	5.89%	8.66%
At 25% Equity Using 11.25% Return on Equity							
11.25%	25.00%	8.35%	73.45%	1.55%	40%	6.49%	8.95%
At 40% Equity Capital Using McShane's Cost of Debt							
9.75%	40.00%	8.35%	58.45%	1.55%	40%	6.83%	8.78%
At 40% Equity Capital Using Market Cost of Debt							
9.75%	40.00%	7.35%	58.45%	1.55%	40%	6.48%	8.20%

[1]: McShane's Evidence p. 52 and p. 54. 11.25% is the mid-point of McShane's recommendation.
[2]: McShane's Evidence Table 5, p. 21 and p. 54.
[3]: McShane's Evidence Table 5. At 40 percent equity the provincial fee of 1% is subtracted from
   the cost of debt.
[4] = 1 - [2] - [5].
[5]: McShane Evidence Table 5.
[6]: Representative Tax Rate.
[7] = [1]x[2] + [3]x[4]x(1-[6]).
[8] = [1]x[2] + [3]x[4].

Workpaper #1 to Exhibit No. MJV-1

Representative Tax Rate for Regulated Canadian Utilities

	2000 Tax Rate [1]	Tax Reduction 2000-01 [2]	Predicted Tax Reduction 2001-02 [3]
B.C. Gas	44.21%		
Fortis	31.90%		
TransAlta	42.20%		
Median	42.20%	1%	2%

Source:
  [1]: Annual Reports, 2000.
  [2], [3]: Budget Update from the Canadian Department of Finance, January 2001.

Exhibit No. MJV-2

Capital Structure and the Return on Equity

	ATWACC [1]	% of Equity [2]	Return on Equity [3]	% of Debt [4]	Cost of Debt [5]		Representative Tax Rate [6]	% of Non-Cost Capital [7]	Change in Equity Return [8]
Panel A: McShane's Recommendation									
[a]	5.89%	15.27%	11.25%	83.18%	8.35%		40%	1.55%	
Panel B: Return on Equity at Various Equity Levels									
[b]	5.89%	15.00%	11.36%	83.45%	8.35%		40%	1.55%	n/a
[c]	5.89%	20.00%	9.77%	78.45%	8.35%		40%	1.55%	-1.59%
[d]	5.89%	25.00%	8.82%	73.45%	8.35%		40%	1.55%	-0.95%
[e]	5.89%	40.00%	8.27%	58.45%	7.35%	*	40%	1.55%	n/a

Notes:
*   The computation assumes that Hydro would obtain a BBB rating without the provincial
       debt guarantee if its equity level reaches 40%.

[1][a] = [2]x[3] + [4]x[5]x(1-[6]).

[1][b-e] = [1][a].

[2][a]: McShane Evidence Table 5.

[2][b-e]: Assumed.

[3][a]: McShane's Evidence p. 55.

[3][b-e] = ([1] - [4]x[5]x(1-[6])/[2].

[4] = 1 - [2] - [7].

[5]: Workpaper 1 to Exhibit No. MJV-2 computes the market cost of debt. One percentage
     point is added due to the guarantee fee paid to the Province.

[6]: Representative tax rate for Canadian Regulated Utilities.

[7]: McShane Evidence Table 5.

[8][c] = [3][c] - [3][b].

[8][d] = [3][d] - [3][c].

Workpaper 1 to Exhibit No. MJV-2

Calculation of Canadian 20-Year Utility Bond Yield Spreads

	A - AA Spread [1]	BBB - A Spread [2]
Mar-00	0.3	0.05
Feb-00	0.38	0.01
Jan-00	0.38	0.01
Dec-99	0.36	0.02
Nov-99	0.4	0.02
Oct-99	0.35	0.02
Sep-99	0.35	0.04
Aug-99	0.33	0.03
Jul-99	0.32	0.08
Jun-99	0.25	0.15
May-99	0.18	0.17
Apr-99	0.18	0.15
Mar-99	0.21	0.09
Feb-99	0.2	0.09
Jan-99	0.19	0.07
Dec-98	0.18	0.09
Nov-98	0.2	0.1
Oct-98	0.27	0.03
Sep-98	0.17	0.12
Aug-98	0.13	0.13
Jul-98	0.14	0.13
Jun-98	0.13	0.17
May-98	0.14	0.19
Apr-98	0.15	0.21

			Oct-00 20-Year A- Rated Utility Bond Yield [3]	Estimated Yield AAA-Rated [4]	Estimated Yield AA-Rated [5]	Estimated Yield BBB-Rated [6]
	Sample Mean Difference					
[a]	0.25	0.09	7.15	6.74	6.90	7.24
[b]	Increase/Decrease since Oct. 00		0.11	0.11	0.11	0.11
[c]	Updated Yield		7.26	6.85	7.01	7.35

Notes:

[1], [2]: Calculated from CBRS historical 20-year bond yield data for "AA", "A", and "BBB" debt ratings.

[3]a: Taken from CBRS October, 2000 bond yield table.
[3]b: Taken from Bank of Canada's web page and CBRS October 2000 bond yield table.
[3]c = [3]a + [3]b.
[4] = [5] - .5x[1]a - .5x[2]a.
[5]: [3] - [1]a.
[6]: [3] + [2]a.

CBRS stopped publishing utility bond yields for AA and BBB rated bonds in March 2000. Therefore, current AA and BBB yields were constructed as the current yield on A-rated utility bonds plus/minus the average historical spread. AAA yields were computed as the AA yield minus the average spread between AA and A yields and between A and BBB yields.

Utility bond yields are not available post October 2000. The most recent yield on A-rated utility bonds was 7.15 and the average corporate bond yield has increased 11 basis points since then, so I add 11 basis points from the yield as of October 2000 (see WP 2 to Exhibit 2 for average corporate bond yields).

Workpaper #2 to Exhibit No. MJV-2

Yield on Corporate Bonds

Month	Average Yield (Corp.) [1]
Oct-00	7.14
Jul-01	7.25
Increase (decrease)	0.11

Notes:

[1]: Other bonds: Average weighted yield (Scotia Capital Inc.) - All corporates Long-term.

Exhibit No. MJV-3

The Change in Hydro's Before-Tax Weighted-Average Cost of Capital as Equity Levels Change

ATWACC [1]	Hydro's BTWACC [2]	% of Equity [3]	Return on Equity [4]	% of Debt [5]	Cost of Debt [6]		Representative Tax Rate [7]	% of Non-Cost Capital [8]	Times Interest Earned [9]
5.89%	8.66%	15.27%	11.25%	83.18%	8.35%		40%	1.55%	1.25
5.89%	8.59%	17.50%	10.45%	80.95%	8.35%		40%	1.55%	1.27
5.89%	8.51%	20.00%	9.77%	78.45%	8.35%		40%	1.55%	1.30
5.89%	8.34%	25.00%	8.82%	73.45%	8.35%		40%	1.55%	1.36
5.89%	7.60%	40.00%	8.27%	58.45%	7.35%	*	40%	1.55%	1.77

Notes:
* The computation assumes that Hydro would obtain a BBB rating without the provincial debt guarantee if its equity level reaches 40%.

[1]: Exhibit No. MJV-2, Panel A.
[2] = [3]x[4] + [5]x[6].
[3]: Exhibit No. MJV-2, Panel B.
[4] = ([1] - [5]x[6]x(1-[7]))/[3].
[5] = 1 - [3] - [8].

[6]: Exhibit No. MJV-2.
[7]: Representative Tax Rate.
[8]: McShane Evidence Table 5.
[9] = ([3]x[4])/([5]x[6]) + 1.

Exhibit No. MJV-4

Return on Hydro's Rate Base as Equity Increases in the Capital Structure

ATWACC [1]	Hydro's BTWACC [2]	% of Equity [3]	Return on Equity [4]	% of Debt [5]	Cost of Debt [6]		Hydro's Rate Base ($'000,000) [7]		Hydro's Capital Charges ($'000,000) [8]		Change in Capital Charges ($'000,000) [9]
5.89%	8.66%	15.27%	11.25%	83.18%	8.35%		$ 1,370.5	$	118.7		n/a
5.89%	8.59%	17.50%	10.45%	80.95%	8.35%		$ 1,370.5	$	117.7	$	(1.02)
5.89%	8.51%	20.00%	9.77%	78.45%	8.35%		$ 1,370.5	$	116.6	$	(1.14)
5.89%	8.34%	25.00%	8.82%	73.45%	8.35%		$ 1,370.5	$	114.3	$	(2.29)
5.89%	7.60%	40.00%	8.27%	58.45%	7.35%	*	$ 1,370.5	$	104.2	$	(10.07)

Notes:
* The computation assumes that Hydro would obtain a BBB rating without the provincial
   debt guarantee if its equity level reaches 40%.

[1] - [6]: Exhibit No. MJV-3 [1] - [6].
[7]: Data Request CA-71 schedule 1.1.
[8] = [2]x[7].

Exhibit No. MJV-5

Adjustment for Embedded Cost of Debt
and for Hydro's Tax Exempt Status

[1]	ATWACC		5.89%
[2]	Percentage Debt	83.18%	
[3]	Embedded Cost of Debt	8.35%	
[4]	Market Cost of Debt	8.35%	
[5]	Representative Tax Rate	40%	
[6]	Adjustment Factor		2.78%
[7]	Adjusted BTWACC		8.66%

Notes:
[1]: Exhibit No. MJV-2 [1].
[2]: Exhibit No. MJV-2 [4].
[3]: McShane Evidence Table 5.
[4]: Exhibit No. MJV-2 [5].
[5]: Exhibit No. MJV-2 [6].
[6] = [2]*([3] - [4]x(1-[5]).
[7] = [1] + [6].

Exhibit No. MJV-6

Simplified Example for Computing the ATWACC

Market Price per Share	[1]	$22.00
Number of Shares Outstanding (millions)	[2]	2.50
Market Value of Equity ($'000,000)	[3]	$55.00
Book Value of Debt ($'000,000)	[4]	$82.50
Market Value of the Company ($'000,000)	[5]	$137.50
Percentage Equity	[6]	40.00%
Percentage Debt	[7]	60.00%
Estimated Return on Equity	[8]	9.00%
Yield on Comparable Bonds	[9]	7.00%
Company Specific Tax Rate	[10]	42%
ATWACC	[11]	6.04%

Notes:

[1], [2]: Assumed. Would be obtained from Compustat or a similar source.

[3] = [1]x[2].

[4]: Assumed. Would be obtained from Compustat or a similar source.

[5] = [3] + [4].

[6] = [3]/[5].

[7] = [4]/[5].

[8]: Assumed. Would be estimated from market data using standard cost
   cost of capital estimation methods.

[9]: Assumed. Would be obtained from Standard & Poor's or a similar
   source. It is the yield on bonds of the same rating as those of the company
   in question.

[10]: Assumed. Would be obtained from the company.

[11] = [8]x[6] + [9]x[7]x(1-[10]).