

1 Q. Energy Policy Review and implementation of financial targets:

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3 (1) D.W. Osmond notes (at page 5) that in 1998 the Government
4 announced its intention to review the structure of the electric utility
5 industry within its Energy Policy Review (EPR), and that it would be
6 premature to commence a process to implement long-term financial
7 targets with respect to a debt-to-equity ratios of 60:40 until this EPR is
8 completed and policy direction received. Indicate any information
9 available to Hydro as to the status of the EPR and the likely date when
10 it may be completed and a policy direction received.

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12 (2) Hydro proposes a temporary 3% return on equity (ROE) for this
13 application, and asks the Board to approve a “normal financial target”
14 of a ROE of 11% to 11.5%. Indicate when, and under what
15 conditions, Hydro would expect the normal ROE to apply for rate
16 setting purposes.

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18 (3) Indicate under what, if any conditions, Hydro’s Board of Directors
19 would limit or stop paying dividends in order to advance towards
20 achievement of its financial targets with respect a debt/equity ratio.

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22 A. (1) Hydro has no information on the status of the EPR.

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24 (2) Hydro anticipates that at its next rate application it will be requesting
25 that the normal ROE as recommended by its Financial Advisors at that
26 time be approved by the Board for inclusion in Hydro’s rates.

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- 1 (3) The Board of Directors dividend policy requires that such dividend
2 payments shall only be made after due consideration has been given
3 by the Board of the impact of such payment on the debt/equity ratio of
4 the Corporation.