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Q: Reference: Page 24, Lines 27-29, Schedules 5 and 6

“Clearly, as Schedules 5 and 6 show, NP’s exposure to financial leverage risk is lower than that of all other significant Canadian gas and electricity distribution utilities.”

Please justify the exclusion of the Ontario electricity distribution utilities from “all other significant” Canadian gas and electricity distribution utilities.

A: The referenced statement in lines 27-29 on page 24 referred to gas and electricity distribution utilities that are directly or indirectly owned by private shareholders, as NP is. The municipal-government-owned and provincial-government-owned electricity companies in Ontario have capital structures that are non-comparable to those of private-shareholder-owned utilities by virtue of: the former’s origins; their short histories as corporations; their different ownership structures, governance, and owner motivations and priorities; and the recent imposition and evolution of OEB regulation. For these reasons, the major Ontario electricity distribution utilities were not included in my capital-structure-financial-risk analysis or in Schedules 5 and 6.

Nor were these government-owned Ontario electricity distributors included in my sample of publicly-traded Canadian regulated utilities because their shares are not publicly traded.