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July 7, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
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Dear Ms Walli,

The Regulatory Treatment of Infrastructure Investment for Ontario's Electricity Transmitters and Distributors
Board File No.: EB-2009-0152
Our File No.: 339583-000045

We are writing to provide the comments of Canadian Manufacturers & Exporters ("CME") on the Staff Discussion Paper on the Regulatory Treatment of Infrastructure Investment for Ontario's Electricity Transmitters and Distributors ("Discussion Paper"), which is dated June 5, 2009.

A. Background and Context

The Discussion Paper bears the same date as the Board's Proposed Amendments to the Distribution System Code (the "Proposed Amendments") which, if approved, will materially shift distribution connection cost responsibility from renewable generators to utility distributors and their ratepayers. The Proposed Amendments and the Discussion Paper are prompted by the passage of the *Green Energy* and *Green Economy Act, 2009* (*"GEGEA"*), which received Royal Assent on May 14, 2009.

The Discussion Paper sets out a number of alternative incentive mechanisms that could be used for the regulatory treatment of infrastructure investment. The proposed incentives include a Return on Equity ("ROE") adder, a project-specific capital structure, accelerated depreciation, allowance of Construction Work-In-Progress ("CWIP") in rate base prior to the asset coming into service and the recovery of costs for abandoned facilities. The Discussion Paper also contemplates that one or more of these mechanisms could be applied in the context of either a cost of service proceeding, a multi-year rate adjustment mechanism or in a single issue rate application.

The tight timelines for commenting on both the Proposed Amendments and the Discussion Paper suggest that the Board intends to act quickly to introduce new initiatives to facilitate implementation of the policy objectives regarding renewable generation and the development of a smart grid as reflected in the provisions of the *GEGEA*.

While CME supports the intent of the *GEGEA* to improve the environment and create opportunities for manufacturers, CME remains very concerned about the cost implications of the

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GEGEA initiatives on utility ratepayers. CME believes that those seeking to facilitate implementation of the policy objectives of the *GEGEA* need to be acutely aware of the serious risks which ever-increasing electricity rates pose to Ontario's manufacturing and industrial base.

CME is also very concerned that the new initiatives the Board is contemplating in both the Proposed Amendments and the Discussion Paper constitute a significant departure from many of the well established and fundamental principles which have guided utility rate regulation since the Ontario Energy Board was first established in 1960. In commenting on the Proposed Amendments, CME noted their incompatibility with the well established and long applied principle of cost causality for determining matters pertaining to distribution connection cost responsibility.

In reviewing the new initiatives the Discussion Paper contemplates, one finds little mention of the guiding principles which have been applied to evaluate the recoverability, in regulated utility rates, of costs related to utility capital expenditures. For instance, there is no mention of the requirement for "on the record" and tested evidence demonstrating need and economic feasibility, which includes evidence on profitability and rate impacts. There is no mention of the principle of cost causality for determining the allocation of cost responsibility between the divergent public interests the Board is obliged to balance. There is little reference to the principle that utility owners bear the risks associated with useless facilities which have not reached the end of their economic lives.

For years, these fundamental principles and others have operated, in combination, to assure that regulated utility rates are just and reasonable. In CME's view, these fundamental principles should continue to guide the Board's approach to assessing the appropriateness of utility capital expenditures. The objectives of the *GEGEA* should be achieved in a manner which continues to respect these fundamental principles. There should be no material shifts in capital-related cost responsibility or risks from utility owners to ratepayers to achieve the objectives of the *GEGEA*.

Utility capital spending plans which are unsupported by any "on the record" and tested evidence with respect to economic feasibility should not be countenanced. If *GEGEA* capital expenditures are not economically feasible, then there must be a balanced allocation of the "subsidy" burden between taxpayers and electricity consumers. Otherwise, conditions will be created which could lead to irreparable economic harm to Ontario's electricity dependent manufacturing and industrial base.

Before the alternative incentive mechanisms identified in the Discussion Paper can be prudently evaluated by anyone, what is needed is an "on the record" and tested analysis of the likely range of capital costs and the related range of consequential rate impacts associated with achieving the objectives of the *GEGEA*.

London Economics International LLC ("LEI"), a group which has already done a great deal of work for the Board, released a study on or about April 30, 2009, estimating cost ranges from $19.4B to $53B. The Minister of Energy and Infrastructure is reported to have criticized LEI's conclusions and to have made statements to the effect that the overall rate impacts of implementing the objectives of the *GEGEA* are minimal. This suggests that the Ministry has analyses or reports which materially differ, in the rate impact conclusions, from those contained in the publicly available LEI Report.

If the Board and its staff have access to independent reports or analyses estimating the capital cost and rate impacts of achieving the objectives of the *GEGEA*, then these reports and/or analyses

should be publicly released. CME has seen no such analyses of this nature, other than the LEI Report. If the Board does not have such analyses, then it should obtain them. In CME's view, the Board cannot and should not rush into endorsing a range of initiatives which materially increase the burden on ratepayers without having some idea of the range of probable impacts that such measures will have on ratepayers.

To fulfill its statutory obligation as an independent economic regulator, the Board must take steps to assure that this type of rate impact information is available and tested on the public record so that any actions it takes in increasing the economic burden on ratepayers are transparent and objectively supportable. The Board cannot function as the guardian of the public interest in the absence of such publicly available rate impact information. To approve new initiatives which materially increase the burden on ratepayers without such information is tantamount to operating in the dark.

The Board should neither encourage nor countenance utility capital spending plans which are unsupported by any objective and tested analysis of economic feasibility. The Board should be aware of the Profitability Index ("PI"), the revenue deficiency and rate impacts of every capital program presented to it for approval. Only then can the Board discharge its statutory obligation to fix and determine rates which are just and reasonable.

In CME's view, in order for the public interest to be served, the Board should not hastily react to the challenges that the *GEGEA* poses by either diluting or disregarding the fundamental principles that have heretofore guided its evaluation of the appropriateness of utility capital spending plans. While CME appreciates the Board's desire to act promptly, it suggests that a cautious approach is preferable to hasty decisions which, more often than not, tend to be very disruptive.

CME's comments on each of the Questions asked in the Discussion Paper are provided in this context. Prior to finalizing these comments, we have had an opportunity to review the comprehensive comments provided by Mr. Aiken on behalf of the London Property Management Association ("LPMA"). CME's comments which follow are, in many respects, aligned with those made by Mr. Aiken.

B. Chapter 1: Overview

1. Should the framework and mechanisms identified in this Discussion Paper apply to other rate-regulated entities? If so, why and for what types of projects?

While rate-regulated entities other than electricity transmitters and distributors should be free to seek special infrastructure investment relief, under the criteria which CME suggests should be applied, the chances of them being able to convincingly demonstrate eligibility for special capital expenditure regulatory treatment are extremely remote. Accordingly, as a practical matter, special infrastructure investment relief should be unavailable to other rate-regulated entities.

C. Chapter 2: Infrastructure Investment in Ontario

2. Are there other broad classifications for investment, beyond "routine", "non-routine incremental", and/or "*GEGEA*-related" that should be considered? If so, what are they and what are the specific underlying drivers for such investment?

Vague and difficult to delineate classifications of infrastructure spending should have no bearing on utility eligibility for special regulatory treatment for infrastructure investments. Requests for approval for special regulatory treatment should proceed on a case-by-case basis.

The Board's approach to assessing the appropriateness of utility capital expenditures should continue to be guided by the fundamental principles it has traditionally applied, including "on the record" and tested evidence that demonstrates need and economic feasibility, as well as evidence on the PI of the project and the resulting rate impacts. The Board should also assess cost causality to determine the allocation of cost responsibility between the divergent public interests the Board is obliged to balance.

Special regulatory treatment for infrastructure investments should only be considered where a utility applicant convincingly and objectively demonstrates an inability to raise the needed capital under the auspices of the fundamental principles which, for years, have guided the Board's determination of the recoverability in rates of costs related to capital expenditures.

Except in the clearest of cases, where an applicant utility objectively demonstrates that "but for" the approval of some special regulatory treatment it would be incapable of undertaking the infrastructure project, the traditional regulatory approach to capital expenditures should prevail.

D. Chapter 3: Treatment of Infrastructure Investment

Investments that May Qualify for Alternative Mechanisms

3. Should the mechanisms identified in this Discussion Paper apply to the recovery of costs incurred by electricity transmitters or distributors for investments to accommodate renewable generation or to develop the smart grid, or both? Why or why not?

As discussed in the response to Question 2, the classification of the particular utility investment(s) under consideration, be they related to renewable generation, the smart grid, or anything else, should have no bearing on the granting of special regulatory treatment for such investments.

As Mr. Aiken points out at pages 3 and 4 of LPMA's comments, the situation in Ontario is distinguishable from the situation in the United States which the Federal Energy Regulatory Commission's ("FERC") July 20, 2006 Final Rule, *Promoting Transmission Investment Through Pricing Reform* ("Order No. 679"), attempts to address. The companies which FERC Order No. 679 targets are privately owned companies which are not subject to Government direction to invest more capital. In Ontario, utilities are required to invest, if so directed. Accordingly, in Ontario, there is a threshold question of whether any special regulatory treatment of infrastructure investments is required to supplement the obligations of Ontario utilities to respond to legally binding Government directives. The Ontario Energy Board has not been directed by the Government, as FERC was by the US Congress, to issue a rule that adopts incentive-based rate treatment.

In these circumstances, special regulatory treatment of infrastructure investments should only be necessary in situations where a utility clearly demonstrates that it cannot comply

with legally binding directives because insufficient capital is available under the auspices of the traditional regulatory approach to capital expenditure cost recovery in rates.

Any departure from the traditional approach should be clearly and objectively justified as the Board ruled in Hydro One's 2007/2008 Transmission Revenue Requirement and Rate Application (EB-2006-0501) to which Mr. Aiken refers in LPMA's comments at pages 3 to 5.

Accordingly, the alternative mechanisms identified in the Discussion Paper should not apply to the recovery of costs incurred by electricity transmitters or distributors simply because the investments are incurred to accommodate renewable generation or to develop the smart grid.

4. Should the mechanisms set out in this Discussion Paper be applied to infrastructure investment if the cost of the investment is potentially recoverable through a Province-wide cost recovery mechanism? Why, or why not?

Although we do not yet know how any province-wide cost recovery mechanisms applicable to electricity consumers generally will operate, nor the "subsidy" amounts which the mechanism is likely to produce, as a practical matter, the availability of province-wide "subsidies" from taxpayers and/or electricity consumers generally should preclude eligibility for special regulatory infrastructure investment treatment. With access to such subsidies, utilities could seldom, if ever, objectively establish an inability to raise the capital needed to support the investments. If the needed capital is available from province-wide sources, then there is no justification for any special regulatory treatment.

5. Should the mechanisms set out in this Discussion Paper be applied to infrastructure investment in smart grid technology while it is at an early stage of development and where governing standards are yet to be developed? Why or why not?

The mechanisms set out in the Discussion Paper should not be made available for infrastructure investment in smart grid technology until province-wide governing standards are developed. Until comprehensive Province-wide standards exist, the affected utilities cannot determine, with any level of certainty, the most cost effective manner to build the long-term infrastructure needed for an Ontario smart grid.

For these and the other reasons described by Mr. Aiken in LPMA's submission at page 9, CME's answer to this question is "No".

6. Should "routine" investment made by a transmitter or distributor be eligible for one or more of the alternative treatments identified in this Discussion Paper? Why or why not?

As set out in CME's response to Question 2, the classification of infrastructure investments should have no bearing on the outcome of an application for special regulatory treatment. That said, it is inconceivable that any utility could demonstrate an inability to raise capital under the auspices of the Board's traditional rate-making approach to capital expenditures for what Board staff classifies as "routine expenditures". Accordingly, as a practical matter, CME's answer to this question is "No".

7. Should the mechanisms identified in this Discussion Paper be presumed to apply to certain types of investments (for example, to accommodate renewable generation)? Why or why not? If so, to which investments?

For the reasons described in the "Background and Context" section of this letter and in the responses to Questions 2, 3 and 4, there should be no presumption that any particular types of infrastructure investments are eligible for special regulatory treatment. All special treatment requests should be considered on a case-by-case basis in the manner described in the responses to previous questions.

8. Should the Board be more prescriptive as to which type of investment may qualify and which will not? If so, what criteria might the Board use to make a determination on which type of investment would qualify?

For the reasons already outlined in the responses to previous questions, the prescriptions which the Board should specify should not be based on any particular types of investment. Rather, case-by-case eligibility should be determined on the basis of an objective and convincing demonstration of inaccessibility to the needed capital.

Provision for Unforeseen Events

9. Should the Board permit applicants to request confirmation from the Board that prudently-incurred costs associated with any abandoned projects will be recoverable in rates if such abandonment is outside the control of management? Why or why not?

There should be no advance approval which burdens ratepayers with either some or all of the cost consequences of any project which is abandoned before the end of its economic life. Guaranteeing any such recovery, in advance, will tend to allow management to ignore project risk.

The amount recoverable from ratepayers, if any, for premature abandonments should be determined, on a case-by-case basis, when all of the circumstances pertaining to the abandonment are known.

In the U.S., FERC policy traditionally limits recovery from ratepayers for abandoned facilities to only 50% of the utility's prudently incurred investment. The reason for this 50% recovery was to ensure that the transmission owner's management appropriately weighs the risk of abandonment or cancellation before embarking on the project.

Advance rulings should not be made which relieve utility owners of their exposure to risks associated with the construction of what turns out to be useless utility infrastructure. If risks associated with the construction of utility infrastructure which turns out to be neither used nor useful are to be shifted to ratepayers, before any circumstances pertaining to their abandonment are known, then there should be a consequential reduction in the Board approved equity risk premium which the Board currently allows to compensate utility owners for such risks.

Accelerated Cost Recovery

10. Should the Board allow for full or partial CWIP to be placed in rate base during the construction of transmission facilities to accommodate the connection of renewable generation and/or develop the smart grid? Why or why not? Should the Board allow this particular treatment for distribution investment? If so, on what basis?

The inclusion of CWIP in rate base would be a departure from the Board's longstanding ratemaking doctrine that recovery of utility plant costs should be based only on utility plant that is "used and useful". CME notes that the Board recently rejected the inclusion of CWIP in rate base in Hydro One's 2007/2008 Transmission Revenue Requirement and Rate Application (EB-2006-0501). In that case, the Board agreed with ratepayer groups who were opposed to Hydro One's CWIP proposal, *inter alia*, because:

(a) There was no reason why Hydro One should be compensated now for risks that may not materialize;

(b) The proposal was a significant departure from conventional regulatory treatment for capital projects, and the Board should permit departures only under very exceptional circumstances;

(c) If construction is delayed or if there are abandonment issues, Hydro One would be free to come to the Board for relief;

(d) Hydro One did not establish an increased risk with respect to the recovery of the costs associated with the projects;

(e) Hydro One did not establish the need for "incentives" to undertake or complete those projects;

(f) FERC precedents relied upon by Hydro One arose out of a different regulatory regime and are not applicable in the Ontario context; and

(g) The benefits to ratepayers as articulated by Hydro One have been overstated.

Any application for special regulatory treatment of project-related CWIP should be evaluated by applying the considerations described in the responses to Questions 2 and 3. Sufficient capital is likely to be available to finance CWIP under the auspices of the traditional regulatory approach to utility capital expenditures, except perhaps in cases where the ultimate in-service date is several years hence. In the few exceptional cases where some special CWIP regulatory treatment might be appropriate, any special relief granted should be conditioned to protect ratepayers from their exposure to double counting and other contingencies of the type described by Mr. Aiken at page 13 of his comments on behalf of LPMA.

11. Should the Board allow depreciation to be adjusted to match a contract term or the useful life of the connecting renewable generation facility? Why or why not?

It is CME's view that depreciation rates should continue to be established on technically sound determinations of the useful economic and physical lives of the facilities in question.

Permitting accelerated depreciation creates greater rate volatility, with higher rates during the shortened duration for recovery of depreciation and lower rates thereafter for the remaining economic life of the fully depreciated assets which will no longer earn a return. As well, a utility's inability to earn any return on assets which have been fully depreciated on an accelerated basis creates a financing burden which could prompt utility owners to request increases in their allowed equity return. In these circumstances, CME suggests accelerated depreciation should not be included in the list of special mechanisms that might be used to respond to an objective demonstration by a particular utility of an inability to access capital to fund requisite utility infrastructure expenditures.

Incentive Mechanisms

12. In light of a legislative context in which the Board may mandate infrastructure investments, are incentives necessary or appropriate in Ontario?

Regardless of whether it is the Board or the utility which instigates particular infrastructure investments, the considerations outlined in the responses to Questions 2, 3 and 4 should determine the limited extent to which any special regulatory treatment for infrastructure investments is either necessary or appropriate.

CME appreciates the Board's desire to be proactive in assessing the appropriateness of incentive mechanisms. However, at this early stage, it is not clear to CME that the Board needs to construct alternative incentive mechanisms to achieve the goal of infrastructure expansion. CME is not aware of any evidence that demonstrates that utilities in Ontario will not continue to pursue infrastructure projects that are consistent with their regulatory obligations. Without further evidence, CME questions whether any of the incentives are necessary.

CME urges the Board to exercise caution when determining how best to mandate infrastructure investments. The Board should avoid attempting to develop a solution for a problem that does not exist. CME is concerned that once incentives are approved, utilities will avail themselves to those incentives in order to reduce shareholder risk and enhance shareholder profits. In this regard, the Board should not lose sight of the fact that the rate-regulated transmission and distribution utilities have an affirmative obligation to serve in an efficient and reasonable manner.

13. If the Board were to provide for incentives, should it allow project-specific ROE? If so, should the Board consider adopting a range rather than a specific adder? Further, how might the Board determine an appropriate range or ROE adder?

Project-specific ROE is a concept which should not be considered as a possible response to some case-by-case applications for special regulatory infrastructure investment treatment. One problem with the concept is the difficulty of obtaining objective and credible evidence establishing a "reasonable" equity return on segregated components of utility assets, which differs from the Board approved ROE. The Board has a well established procedure for establishing ROE to be allowed on all utility assets. Dissecting ROE on a project-by-project basis is not only cumbersome, but also creates, rather than reduces, regulatory burden. In addition, the investment decisions of utility owners will tend to be distorted if some types of investments are permitted to earn a higher ROE than others. Accordingly, the Board should continue to treat any utility investment as part of

the integrated utility system. All utility investments should attract the same Board approved equity return.

14. If the Board were to provide for incentives, should it allow project-specific capital structures?

As Mr. Aiken notes in his comments at page 16, if return-related incentives are to be considered, then the use of project-specific capital structures is preferable to a project-specific ROE. That said, we think that disaggregating the overall utility capital structure to permit different project-specific capital structures carries with it a significant potential for litigious divisiveness and will create, rather than reduce, regulatory burden.

There are probably many situations where ratepayers could, in case-by-case analyses of specific capital programs, demonstrate that the projects are or can be financed by 100% debt and not by the hypothetical debt/equity capital structures the Board uses to determine overall utility return. We suspect that utilities would vigorously oppose special regulatory treatment for infrastructure investments which limit their recoveries in rates to debt costs only, just as ratepayers are likely to vigorously oppose project-specific capital structure requests by utilities which contemplate a thicker equity ratio than the Board approves for the utility as a whole.

For these reasons, the Board should not permit project-specific capital structures.

General

15. What other alternative mechanisms, if any, might the Board consider be made available to applicants? Why?

CME has not identified any other alternative mechanisms that the Board should consider be made available to utility applicants. The Board should recognize that if special regulatory treatment is going to be made available to utility applicants, then the Board will need to be prepared to consider and grant, in exceptional cases, special regulatory treatment to ratepayer applicants. Granting special regulatory treatment of any kind creates a precedent upon which ratepayers can rely to seek special treatment relieving them from economically distressed conditions which materially increased electricity costs could produce.

E. Chapter 4: Considerations and Conditions That May Apply

16. In addition to the potential considerations identified, are there any other matters that the Board might consider in making decisions on requests for alternative treatment?

As noted in the responses to Questions 2, 3 and 4, the matters to consider, when a utility applicant seeks special regulatory treatment for infrastructure investments, include the following:

(a) The need for the investments;

(b) Their economic feasibility, including their overall PI, the revenue deficiency they cause, and the rate impacts thereof;

(c) The province-wide subsidies available from taxpayers and/or electricity consumers generally;

(d) The allocation risks and cost responsibility in accordance with the principle of cost causality;

(e) Whether there is any objective and convincing evidence demonstrating that the utility is unable to finance the requisite capital under the auspices of the traditional regulatory approach to capital expenditures; and

(f) That special regulatory treatment of any sort should only be granted in exceptional situations after a thorough case-by-case analysis.

The potential considerations identified in the Discussion Paper are incomplete and appear to be inappropriately imbalanced in favour of granting special regulatory treatment for infrastructure investments on a regular basis rather than only in exceptional circumstances.

17. What performance conditions, if any, should be established?

If the Board is satisfied, after carefully considering a particular case, that some special regulatory treatment for infrastructure investments is justified, then milestones and other performance conditions to protect ratepayers should form part of the relief granted. However, it is premature to attempt to define such performance conditions now. They should be determined at the conclusion of the case-by-case analysis so that they can be rationally tailored to the nature of the particular project.

18. Are the reporting requirements suggested appropriate and adequate?

Reporting requirements should be determined at the conclusion of the case-by-case analysis of any request for special regulatory treatment which the Board allows. It is premature to attempt to define these reporting conditions at this time.

19. Are there any other conditions that the Board might need to establish in relation to an approved alternative mechanism referred to in this Discussion Paper to protect ratepayer interests?

As indicated in the responses to Questions 17 and 18, it is premature to attempt to define, now, the conditions that should apply in particular cases where special regulatory treatment for infrastructure investments is approved.

20. Beyond those already reflected in the Board's existing filing guidelines (e.g., the Z-factor test of causation, materiality, and prudence) and in the Board's jurisprudence, is there a specific test that successful applicants should be required to meet in order to be granted an alternative treatment?

The specific tests that applicants should be required to meet are described in the responses to Questions 2, 3, 4 and 16.

F. Chapter 5: Implementation Considerations

21. Are the Board's existing filing guidelines for electricity transmitters and distributors sufficient to support the case-by-case approach discussed in this Discussion Paper? If not, what additional information should an applicant provide?

The Filing Guidelines should be designed to assure that all of the information described in the responses to Questions 2, 3, 4 and 16 is available for public scrutiny. Applications based on bald and unsupported statements by utility owners that special treatment is needed should not be tolerated.

22. Should the process for applying for the regulatory treatment of infrastructure investment discussed in this Discussion Paper be more prescriptive (e.g., the timing, sequencing, and/or combining of applications)? Should it be combined with the process for approving infrastructure investment plans? If so, why and in what way?

An applicant seeking special infrastructure investment regulatory treatment should be free to apply at any time, provided that the application is supported by objective information pertaining to all of the criteria described in the responses to Questions 2, 3, 4 and 16.

23. Should the Board permit applicants to seek approval prior to construction of the facilities to determine whether the facilities qualify for the requested alternative treatment(s)? Why or why not?

Any rulings with respect to the eligibility of an applicant for special regulatory treatment should follow and not precede the case-by-case public scrutiny of all of the information pertaining to economic feasibility and the other criteria described in responses to Questions 2, 3, 4 and 16. The Board should not take any action which could reasonably be perceived as pre-judging the issue of eligibility.

24. What are the implications, if any, of using the single-issue rate review process?

The single-issue rate review process is incompatible with the Board's statutory obligation to determine just and reasonable rates for the utility as a whole. If permitted, it will invariably be used by utilities to attempt to increase their overall profitability. Use of the single-issue rate review process will invariably tend to produce rates for the utility as a whole which are too high.

A segregated component of the revenue requirement which is allegedly under-earning should not be considered in isolation and certainly never in a situation where the utility, as a whole, is earning either at or near, or more than its allowed rate of return.

25. Is the use of rate riders an appropriate approach for implementing rate adjustments associated with the alternate treatments identified in this Discussion Paper? Alternatively, should the adjustments be made directly to base rates?

While CME has no objection to the use of rate riders, it believes that the determination of whether rate adjustments associated with the alternate incentive mechanisms should be

made directly to base rates or implemented through rate riders is a matter that should be determined at the conclusion of the case-by-case analysis.

26. Should the Board allow applicants to seek approval of multi-year rate riders or should the applicant be required to apply every year to adjust its rate riders to reflect any changes in project costs?

While the Board can allow utility applicants to seek approval of multi-year rate riders, a determination of whether or not such rate relief should be granted and, if so, the conditions to be attached, should be determined at the conclusion of the analysis of any case containing a request for such relief.

G. Costs

CME requests an award of its reasonably incurred costs in connection with this consultative.

Please contact me if there are any questions about the contents of this letter.

Yours very truly,

Peter C.P. Thompson, Q.C.
Vincent J. DeRose

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c. Paul Clipsham (CME)

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