

EB-2008-0341.
RECEIVED
OCT 20 2008
ONTARIO ENERGY BOARD

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ckeizer@ogilvyrenault.com

SENT BY E-FILING & COURIER

Toronto, October 16, 2008

Ms. Kirsten Walli *EW Oct 20 2008*
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
PO Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli:

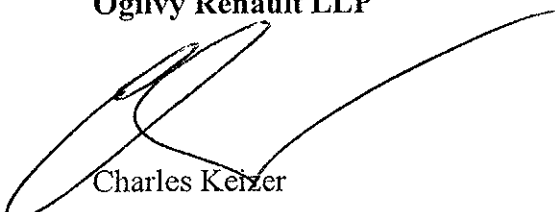
RE: FortisOntario Inc./Grimsby Power Inc. - Section 81 -- Notice

Please find enclosed a Section 81 Notice for the above-referenced entities.

Please do not hesitate to contact me should you have any questions or concerns.

Yours very truly,

Ogilvy Renault LLP


Charles Keizer

CK/rd
Encl.

FortisOntario Inc./Grimsby Power Inc

Section 81 - Notice

PART I: GENERAL MINIMUM FILING REQUIREMENTS

All applicants must complete and file the information requested in Part I.

1.1 Identification of the Parties**1.1.1 Applicant**

Name of Applicant	File No: (Board Use Only)	
FortisOntario Inc.		
Address of Head Office 1130 Bertie Street PO Box 1218 Fort Erie, ON L2A 5Y2	Telephone Number (905) 871 0330	
	Facsimile Number (905) 871 8676	
	E-mail Address	
Name of Individual to Contact Douglas Bradbury Director Regulator Affairs FortisOntario Inc.	Telephone Number (905) 994 3634	
	Facsimile Number (905) 994 2207	
	E-mail Address doug.bradbury@fortisontario.com	

1.2.2 Other Parties to the Transaction or Project

If more than one attach list

Name of Other Party	File No: (Board Use Only)	
Grimsby Power Inc.		
Address of Head Office 231 Roberts Road Grimsby, ON L3M 5N2	Telephone Number (905) 945 5437 ext. 222	
	Facsimile Number (905) 945 9933	
	E-mail Address	
Name of Individual to Contact Barbara Lattimer Executive Assistant Grimsby Power Inc.	Telephone Number (905) 945 5437 ext. 222	
	Facsimile Number (905) 945 9933	
	E-mail Address barbaral@grimsbypower.com	

1.2 Relationship between Parties to the Transaction or Project

1.2.1	Attach a list of the officers, directors and shareholders of each of the parties to the proposed transaction or project. RESPONSE: FortisOntario Inc. Directors Gilbert S. Bennett (Chair) Peter Case (Director) William J. Daley (CEO, FortisOntario Inc.) Geoffrey Hyland (Director) Barry V. Perry (CFO, Fortis Inc.) Oskar T. Sigvaldason (Director) Officers William J. Daley – President and Chief Executive Officer Glen King – Vice President, Finance and Chief Financial Officer Angus S. Orford – Vice President, Operations R. Scott Hawkes – Vice President, Corporate Services, General Counsel & Corporate Secretary FortisOntario is the Ontario-based subsidiary of Fortis Inc. ("Fortis"), which is the largest investor-owned distribution utility in Canada. With total assets exceeding \$10 billion and annual revenues exceeding \$3.5 billion, Fortis serves almost 2,000,000 gas and electricity consumers. Its regulated holdings include a natural gas distribution utility in British Columbia and electric distribution utilities in five Canadian provinces and three Caribbean countries. Fortis owns non-regulated hydroelectric generation assets in Newfoundland and Labrador, Ontario, British Columbia, Belize and Upper New York State. Fortis is a publicly traded company listed on the TSX. Grimsby Power Inc. Directors Joe Panetta (Acting Chair) Shafee Bacchus Bob Bentley James Detenbeck Anthony Quirk
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	David Wilson Russ Woodland Grimsby Power Inc. is 100% owned by Niagara Power Inc. which is turn is owned by the Town of Grimsby.	
1.2.2	Attach a corporate chart describing the relationship between each of the parties to the proposed transaction or project and each of their respective affiliates. RESPONSE: Attached as an Exhibit 1.2.2	

1.3 Description of the Businesses of Each of the Parties

1.3.1	Attach a description of the business of each of the parties to the proposed transaction or project, including each of their affiliates licenced under the OEB Act to operate in Ontario for the generation, transmission, distribution, wholesaling or retailing of electricity or providing goods and services to companies licenced under the OEB Act in Ontario ("Electricity Sector Affiliates"). RESPONSE: FortisOntario FortisOntario, which is headquartered in Fort Erie, Ontario, owns and operates generation, transmission and distribution businesses in the province of Ontario. Founded in 1892, FortisOntario began generating electricity in 1905 from its Rankine Generating Station located on the Canadian side of the Niagara River and subsequently began distributing electricity to the Town of Fort Erie in 1907. The Rankine Generating Station is no longer active and ceased operations in 2005. Most of FortisOntario's remaining generation assets were transferred to an affiliate as part of an internal reorganization described below. Accordingly, the operations based in Ontario that are part of the Canadian Niagara Power Inc. corporate organization are primarily transmission and distribution. FortisOntario is the Ontario-based subsidiary of Fortis Inc. ("Fortis"), which is the largest investor-owned distribution utility in Canada. With total assets exceeding \$10 billion and annual revenues exceeding \$3.5 billion, Fortis serves almost 2,000,000 gas and electricity consumers. Its regulated holdings include a natural gas distribution utility in British Columbia and electric distribution utilities in five Canadian provinces and three Caribbean countries. Fortis owns non-regulated hydroelectric	
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generation assets in Newfoundland and Labrador, Ontario, British Columbia, Belize and Upper New York State. Fortis is a publicly traded company listed on the TSX.

FortisOntario also owns Cornwall Electric Railway Light and Power Company Limited ("Cornwall Electric"), which serves 23,000 customers. FortisOntario holds a ten percent (10%) interest in Westario Power Inc., a 21,000 customer electricity distributor located in mid-western Ontario, and Rideau St. Lawrence Holdings Inc., a 6,000 customer electricity distributor located in southeastern Ontario. Accordingly, Westario Power Inc. and Rideau St. Lawrence Holdings Inc. are not affiliates of CNPI.

FortisOntario is also a licensed generator. In addition to the retired Rankine Generating Station located in Niagara Falls, it owns a 5 MW natural gas cogeneration district heating plant located in Cornwall, Ontario. The Rankine Generating station is a Registered Market Participant with the IESO. The Cornwall district heating facility is an embedded generator selling district heating to local customers and electricity directly to Cornwall Electric.

Pursuant to Section 74 of the OEB Act, the Board was notified of an internal reorganization of Fortis in 2005, in respect of which it confirmed that it did not intend to issue a notice of review of the proposals (Board File No. EB-2005-0519). The corporate reorganization of certain Fortis energy companies was done to simplify management structure and to achieve tax planning objectives. This internal reorganization is completed and involved the transfer of FortisOntario Generation Corporation ("FOG"), previously a wholly-owned subsidiary of FortisOntario and a licensed generator, from FortisOntario to Fortis Properties Corporation ("FPC"), a wholly-owned subsidiary of Fortis. FOG owned and operated five (5) hydroelectric generating stations located on the Rideau Canal system in eastern Ontario with combined capacity of 5.6 MW (embedded generators for CNPI – Eastern Ontario Power), and one 2 MW hydroelectric generating station located at Rideau Falls in Ottawa. These stations are licensed generation facilities. Pursuant to amalgamations, FOG now forms part of FPC and continues as FPC.

The utility distribution business for the service areas of Fort Erie and Gananoque are owned by CNPI. The utility distribution assets for the service territory of Port Colborne are leased by CNPI from Port Colborne Hydro Inc., a wholly-owned subsidiary of the Corporation of the City of Port Colborne. This is a ten year operating lease approved by the Board (Appendix A). However, title to modified or contributed distribution assets is retained by CNPI in respect of assets for the Port Colborne service territory acquired subsequent to the commencement of the lease in April 2002. The utility distribution business for the Cornwall service area is owned by Cornwall Electric.

	CNPI is also an OEB licenced transmitter. Grimsby Power Inc. Grimsby Power Inc. is a wholly owned subsidiary of the Town of Grimsby, providing electricity distribution services to electricity consumers located in the Town of Grimsby, as regulated by the OEB.	
1.3.2	Attach a description of the geographic territory served by each of the parties to the proposed transaction or project, including each of their Electricity Sector Affiliates, if applicable, and the geographic location of all existing generation facilities. RESPONSE: FortisOntario - Electricity Generation Licence FortisOntario is also a licensed generator. In addition to the retired Rankine Generating Station located in Niagara Falls, it owns a 5 MW natural gas cogeneration district heating plant located in Cornwall, Ontario. The Rankine Generating station is a Registered Market Participant with the IESO. The Cornwall district heating facility is an embedded generator selling district heating to local customers and electricity directly to Cornwall Electric. Canadian Niagara Power Inc. - Electricity Distribution Licence (Fort Erie, Port Colborne & Gananoque) Canadian Niagara Power Inc. is a licenced distributor providing electricity distribution service to the Town of Fort Erie, the City of Port Colborne and the Town of Gananoque; more specially described in its Distribution Licence, ED-2002-0572. Cornwall Electric - Electricity Distribution Licence Cornwall Electric is a licenced distributor providing electricity distribution service to the City of Cornwall; more specially described in its Distribution Licence, ED-2004-0405. Canadian Niagara Power Inc. - Electricity Transmission Licence Canadian Niagara Power Inc. is a licenced transmitter with transmission facilities interconnected with Hydro One Networks in Niagara Falls, Ontario and providing transmission service to Canadian Niagara Power Inc.'s	

	distribution facilities in Fort Erie and is interconnected with US National Grid in New York State. This is more specifically described in its Transmission Licence, ET-2003-0073 Grimsby Power Inc. Grimsby Power Inc. is a licenced distributor providing electricity distribution service to the Town of Grimsby; more specially described in its Distribution Licence, ED-2002-0554. Maps representing the service areas listed above are attached at Exhibit 1.3.2. More detailed description of the service areas can be found in the licenses listed in Exhibit 1.3.4.	
1.3.3	Attach a breakdown of the annual sales (in C\$, and in MWh) as of the most recent fiscal year end of the existing generation output among the IESO Administered Markets ("IAM"), bilateral contracts, and local distribution companies. RESPONSE: FortisOntario Energy sales from FortisOntario to the IESO Administered Market (Rankine Generating Station) for 2007: 653,496 MWh \$31,241,416 Cdn This generation, 653,496 MWh, does not originate at the FortisOntario's Rankine generating station. By way of an agreement with Ontario Power Generation, water that would have otherwise been utilized at the Rankine Generating Station is allowed to flow to Ontario Power Generation's facilities and FortisOntario is compensated by an amount equivalent to that which is available at the Rankine Generating Station. Energy sales from FortisOntario to Cornwall Electric (Cornwall District Heating) for 2007 12,362 MWh \$1,230,840 Cdn Cornwall District Heating, a subsidiary of FortisOntario, is not connected to the IESO-Controlled Grid and therefore its production does not contribute to the Ontario Primary Demand.	

	Attach a list identifying all relevant Board licences and approvals held by the parties to the proposed transaction or project and each of their Electricity Sector Affiliates, and any applications currently before the Board, or forthcoming. Please include all Board file numbers. RESPONSE: FortisOntario Licences: Electricity Distribution Canadian Niagara Power Inc. – ED-2002-0572 Cornwall Electric – ED-2004-0405 Electricity Transmission Canadian Niagara Power Inc. – ET-2003-0073 Electricity Generation FortisOntario – EG-2003-0107 Current Applications: Electricity Distribution Canadian Niagara Power – Fort Erie – 2009 EDR; EB-2008-0223 Canadian Niagara Power – Port Colborne – 2009 EDR; EB-2008-0224 Canadian Niagara Power – Gananoque – 2009 EDR; EB-2008-0222 Electricity Transmission Canadian Niagara Power Inc. – Combined Proceeding Relating to the Review and Approval of the Connection Procedures of Five Nations Energy Inc. and Canadian Niagara Power Inc. EB-2008-0061/EB-2008-0062 Electricity Generation None Grimsby Power Licences: Electricity Distribution Grimsby Power Inc. – ED-2002-0554	
1.3.4		

	Current Applications: None Each of the above listed licenses are attached at Exhibit 1.3.4	
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1.4 Current Competitive Characteristics of the Market

1.4.1	Please provide copies of all annual reports, proxy circulars, prospectuses or other information filed with securities commissions or similar authorities or sent to shareholders for each of the parties to the proposed transaction and their affiliates within the past 2 years. RESPONSE: Copies of all reports, circulars and information filed with the securities commission for Fortis Inc. are available at http://www.fortis.ca/InvestorCentre/FinancialReports/AnnualReport/	
1.4.2	Describe the generation market share based on actual MWh production as a percent of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, prior to completion of the proposed transaction or project. RESPONSE: FortisOntario generation associated with the Rankine Generating Station for 2007 was 653,496 MWh. This generation, 653,496 MWh, does not originate at the FortisOntario's Rankine generating station. By way of an agreement with Ontario Power Generation, water that would have otherwise been utilized at the Rankine Generating Station is allowed to flow to Ontario Power Generation's facilities and FortisOntario is compensated by an amount equivalent to that which is available at the Rankine Generating Station. Therefore FortisOntario generation represents 0 % of the Annual Primary Demand of 152,205,120 MWh. The FortisOntario water rights associated with the Rankine Generating Station are scheduled to expire on April 30, 2009. Cornwall District Heating, a subsidiary of FortisOntario, is not connected to the IESO-Controlled Grid and therefore its production does not contribute to the Ontario Primary Demand.	

1.5 Description of the Proposed Transaction or Project and Impact on Competition - General

1.5.1	Attach a detailed description of the proposed transaction or project, including geographic locations of proposed new transmission or distribution systems, or new generation facilities. RESPONSE: Currently, Niagara Power Incorporated ("NPI") is the sole shareholder of Grimsby Power Incorporated ("GPI"). The sole shareholder of NPI is the Town of Grimsby. Both GPI and NPI currently have only common shares outstanding. The effect of the transaction will be that FortisOntario Inc. will acquire a 10% economic interest in GPI through an investment in NPI preferred share. The transaction will be effected by way of an amalgamation. FortisOntario will incorporate a new, wholly-owned subsidiary ("FO Subco") which it will capitalize with \$1.1 million. FO Subco will amalgamate with Niagara Power Incorporated ("NPI") to form "Amalco". In the amalgamation, the Town of Grimsby, NPI's sole shareholder will receive, in exchange for its shares of NPI 100%, of the common shares of Amalco plus 90 Class A Preferred Shares of Amalco. FortisOntario will receive, in exchange for its shares of FO Subco, 10 Class B Preferred Shares of Amalco. The Class A and Class B Preferred Shares of Amalco (collectively the "Preferred Shares") will have identical rights and preferences. Generally, the Preferred Shares will entitle the holders thereof to the proceeds from any dividends or proceeds received by Amalco on the common shares of GPI, which is currently a wholly-owned subsidiary of NPI and will be a wholly owned subsidiary of Amalco. The Preferred Shares will also be redeemable by Amalco in exchange for a pro rata number of GPI common shares. For example, on redemption of the Preferred Shares, FortisOntario would receive 10% of GPI common shares and the Town of Grimsby would receive 90% of the GPI common shares. In effect, through the Preferred Shares, FortisOntario will have a 10% economic interest in GPI.	
1.5.2	Describe the generation capacity (in MW), within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project. RESPONSE: This transaction will not include new transmission or distribution systems, or new generation facilities, it will have no effect on the generation capacity in Ontario.	

1.5.3	Describe the generation market share based on anticipated MWh production as a percentage of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project. RESPONSE: There will be no change to the anticipated MWh production as a percentage of the Annual Primary Demand, within the province of Ontario, of the parties to this project after the completion of this transaction.	
1.5.4	Attach a short description of the impact, if any, of the proposed transaction or project on competition. If there will be no impact on competition, please state the reasons. Cite specifically the impacts of the proposal on customer choice regarding generation, energy wholesalers, and energy retailers. RESPONSE: This transaction relates only to a 10% investment by FortisOntario in Grimsby Power Inc., there is no impact on customer choice regarding generation, energy wholesalers, and energy retailers.	
1.5.5	Provide confirmation that the proposed transaction or project will have no impact on open access to the transmission or distribution system of the parties or their affiliates. If open access will be affected explain how and why. RESPONSE: This transaction relates only to a 10% investment by FortisOntario in Grimsby Power Inc., open access will not be affected by the transaction.	

1.6 Other Information

1.6.1	Attach confirmation that the parties to the proposed transaction or project are in compliance with all licence and code requirements, and will continue to be in compliance after completion of the proposed transaction or project. RESPONSE: FortisOntario confirms that it is in compliance with all licence and code requirements and will continue to be in compliance after completion of the proposed transaction. Grimsby Power Inc. confirms that it will be in compliance with all licence and code requirements after completion of the proposed transaction.	
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**Part II: SECTION 80 OF THE ACT—TRANSMITTERS AND DISTRIBUTORS
ACQUIRING AN INTEREST IN GENERATORS OR CONSTRUCTING A
GENERATION FACILITY**

All applicants filing a Notice of Proposal under section 80 of the Act must complete and file the information requested in Part II.

RESPONSE:

This section is not applicable, please refer to PART III: SECTION 81 OF THE ACT—GENERATORS ACQUIRING AN INTEREST IN OR CONSTRUCTING A TRANSMISSION OR DISTRIBUTION SYSTEM.

2.1 Effect on Competition

2.1.2	Describe whether the proposed generation output will be primarily offered into the IAM, sold via bilateral contracts, or for own use. RESPONSE: Not applicable	
2.1.3	Provide a description of the generation including fuel source, technology used, maximum capacity output, typical number of hours of operation in a year, and peaking versus base-load character. RESPONSE: Not applicable	
2.1.4	Provide details on whether the generation facility is expected to sign a "must run" contract with the IESO. RESPONSE: Not applicable	
2.1.5	Provide details of whether the generation facility is expected to serve a "load pocket", or is likely to be "constrained on" due to transmission constraints. RESPONSE: Not applicable	

2.2 System Reliability

Section 2.2 must be completed by applicants who are claiming that the proposed transaction or project is required for system reliability under section 82(2)(b) of the Act.

2.2.1	Provide reasons why the proposal is required to maintain the reliability of the transmission or distribution system. Provide supporting studies. RESPONSE: Not applicable	
2.2.2	Discuss the effect of the proposal on the adequacy (ability of supply to meet demand) of supply in the relevant control area or distribution region, citing effects on capacity plus reserve levels in comparison to load forecasts. RESPONSE: Not applicable	
2.2.3	Discuss the effect of the proposal on the security (ability of supply to respond to system contingencies) of supply. RESPONSE: Not applicable	
2.2.4	Provide a copy of the IESO Preliminary System Impact Assessment Report, if completed, and the IESO Final System Impact Assessment Report, if completed. If the IESO is not conducting a System Impact Assessment Report, please explain. RESPONSE: Not applicable	

PART III: SECTION 81 OF THE ACT—GENERATORS ACQUIRING AN INTEREST IN OR CONSTRUCTING A TRANSMISSION OR DISTRIBUTION SYSTEM

All applicants filing a Notice of Proposal under section 81 of the Act must complete and file the information requested in Part III.

3.1 Effect on Competition

3.1.1	Provide a description of the transmission or distribution system being acquired or constructed. RESPONSE: In this transaction, FortisOntario is acquiring 10% interest in the Grimsby Power Inc. distribution system. Through this distribution system, Grimsby Power Inc. provides electricity distribution service to the consumers located in the Town of Grimsby more specifically described in the Grimsby Power Inc. Distribution Licence ED-2002-0554 attached hereto at Exhibit 1.3.4.	
3.1.2	Provide details on whether the generation facilities owned by the acquiring company are or will be directly connected to the transmission or distribution system being acquired or constructed. RESPONSE: The generation facilities owned by FortisOntario will not be directly connected to the Grimsby Power Inc. distribution system in which FortisOntario is investing.	
3.1.3	Provide details of whether the generation facility is expected to serve a "load pocket", or is likely to be "constrained on" due to transmission constraints. RESPONSE: The generation facility connected to the IESO-Controlled Grid, Rankine Generating Station, is dispatched by Ontario Power Generation and ceased active operations in 2005. By way of an agreement with Ontario Power Generation, water that would have otherwise been utilized at the Rankine Generating Station is allowed to flow to Ontario Power Generation's facilities and FortisOntario is compensated by an amount equivalent to that which is available at the Rankine Generating Station. The FortisOntario water rights associated with the Rankine Generating Station are scheduled to expire on April 30, 2009.	

	Cornwall District Heating, a subsidiary of FortisOntario, is not connected to the IESO-Controlled Grid.	
3.1.4	Provide details on whether the generation facilities are expected to sign a "must run" contract with the IESO. RESPONSE: No, it is not anticipated that the generation facilities will be expected to sign a "must run" contract with the IESO. The Rankine Generating Station is dispatched by Ontario Power Generation and ceased active operations in 2005. The FortisOntario water rights associated with the Rankine Generating Station are scheduled to expire on April 30, 2009. Cornwall District Heating, a subsidiary of FortisOntario, is not connected to the IESO-Controlled Grid.	

How to Contact the Ontario Energy Board

The Ontario Energy Board is located at:

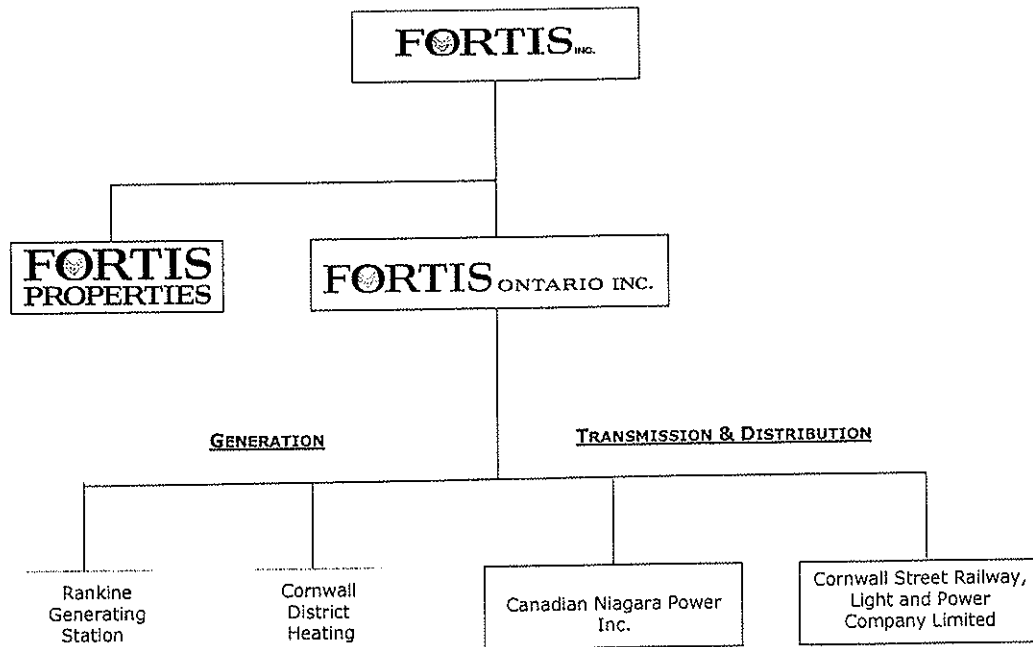
P.O. Box 2319
2300 Yonge Street, Suite 2701
Toronto, Ontario
M4P 1E4

Telephone:	416-481-1967
Toll Free Number:	1-888-632-6273
Fax:	416-440-7656
Website:	http://www.oeb.gov.on.ca
Board Secretary's e-mail address:	boardsec@oeb.gov.on.ca

Exhibit 1.2.2

Corporate Charts

FortisOntario Corporate Entities Chart



CORPORATE ENTITIES STRUCTURE OF GRIMSBY POWER INC.

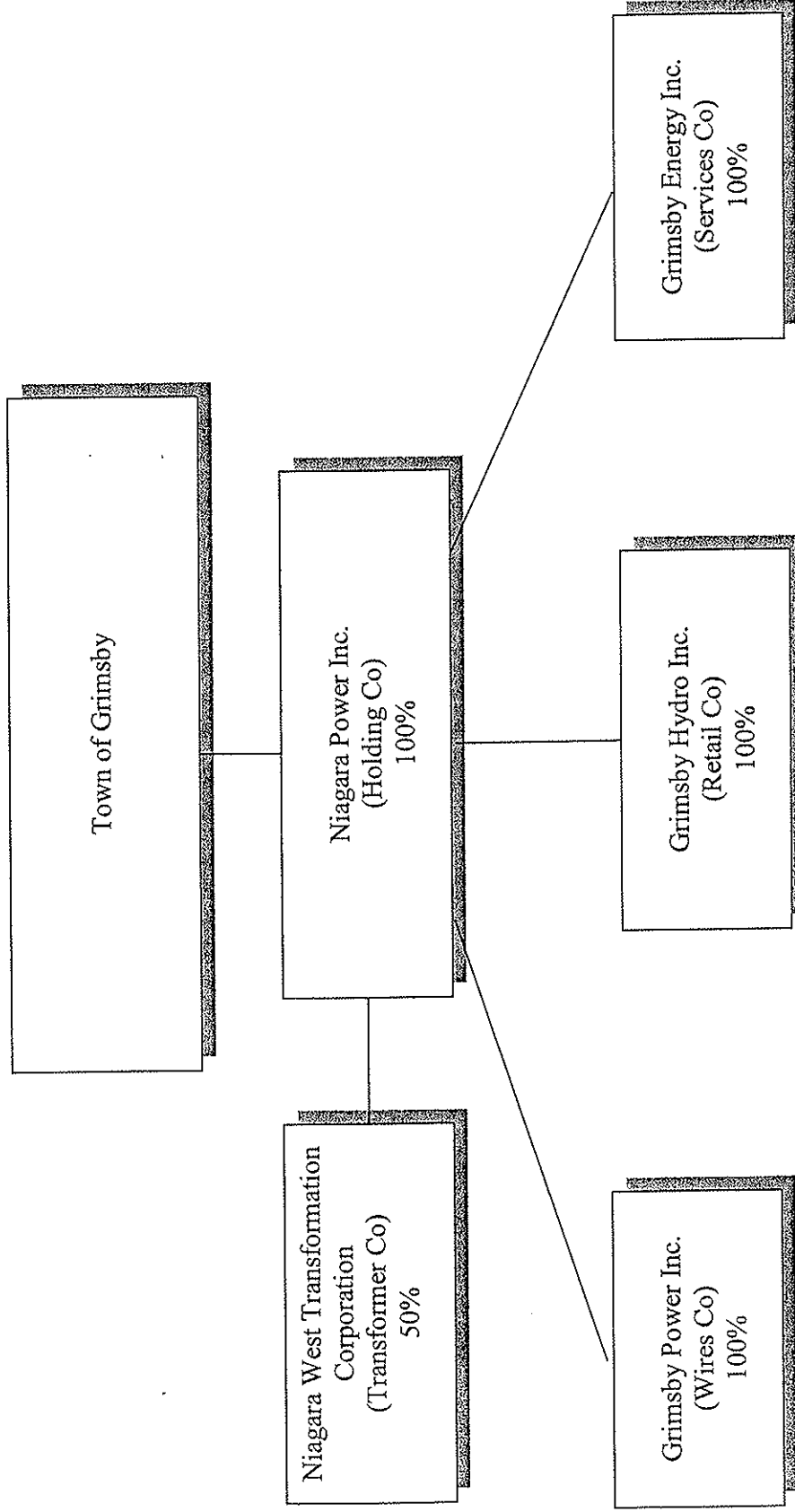
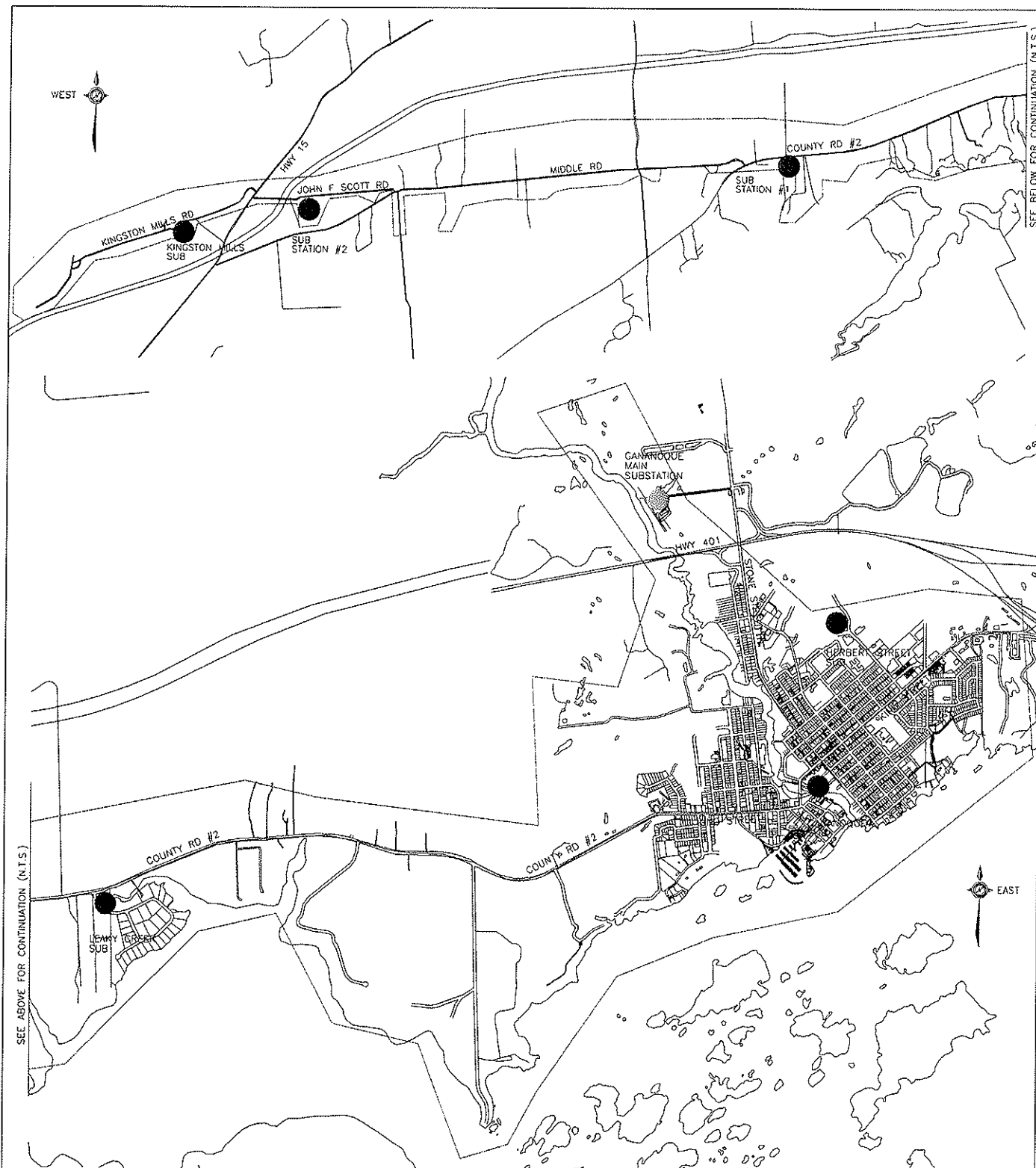


Exhibit 1.3.2

Service Area Maps

Port Colborne Service Area

Eastern Ontario Power Service Area

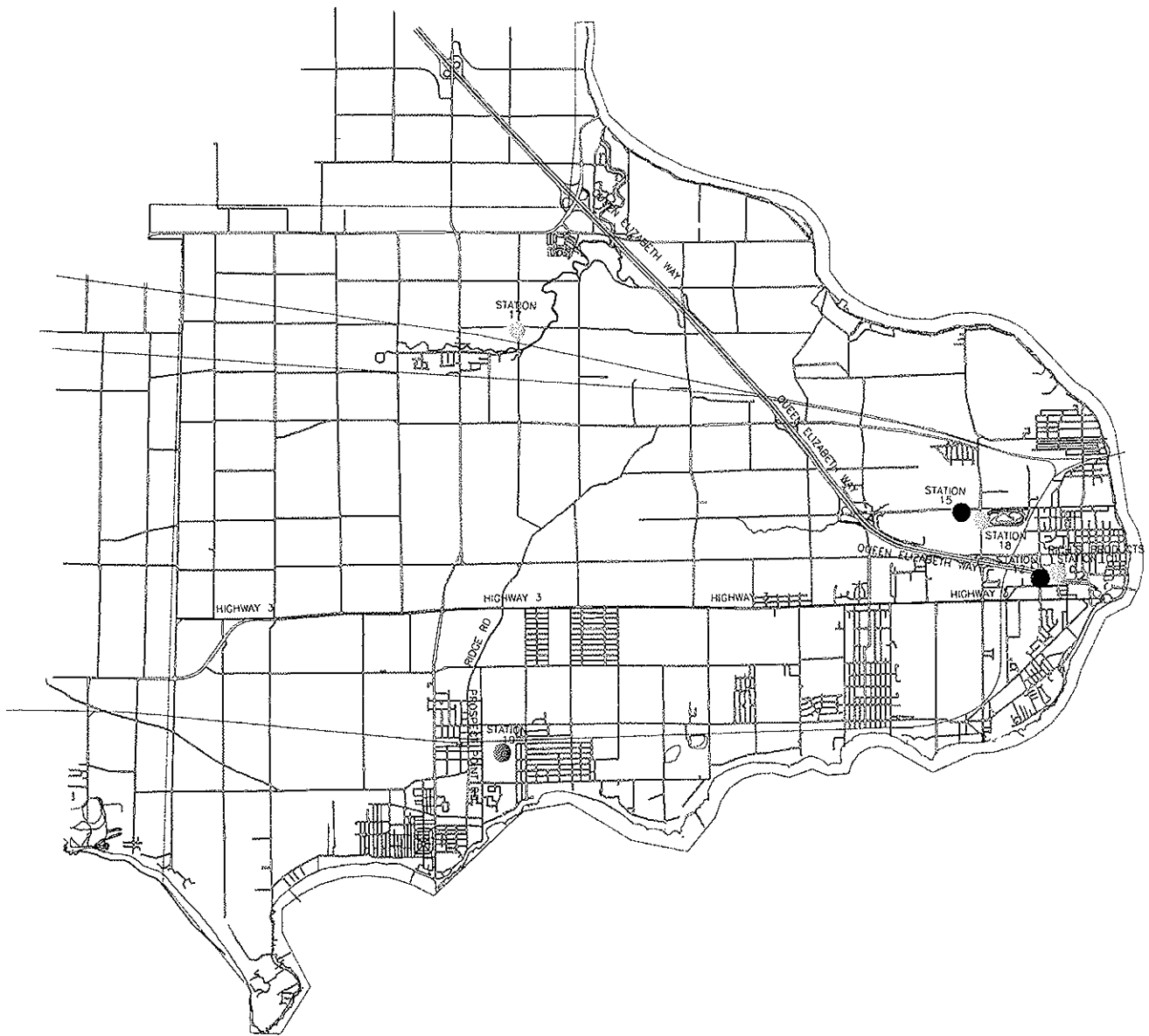


SEE BELOW FOR CONTINUATION (N.T.S.)

SEE ABOVE FOR CONTINUATION (N.T.S.)

Notes:		 CANADIAN NIAGARA POWER INC. A FORTIS COMPANY		EASTERN ONTARIO POWER SERVICE TERRITORY	
 26.4/44KV  4.16/26.4KV		Revision: _____ App'd: _____		DR. M.E.L. CH. J.H. APP'D SCALE DATE 20 FEB 08 ENG. _____	
				Sheet 1 of 1 EOP SERVICE TERRITORY REV. SIZE E-FILE EOP/MAP 0 A	

Fort Erie Service Area



Notes:

- 19.9/34.5KV
- 4.8/8.3KV
- 4.8KV — DELTA



CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO COMPANY

FORT ERIE
SERVICE TERRITORY

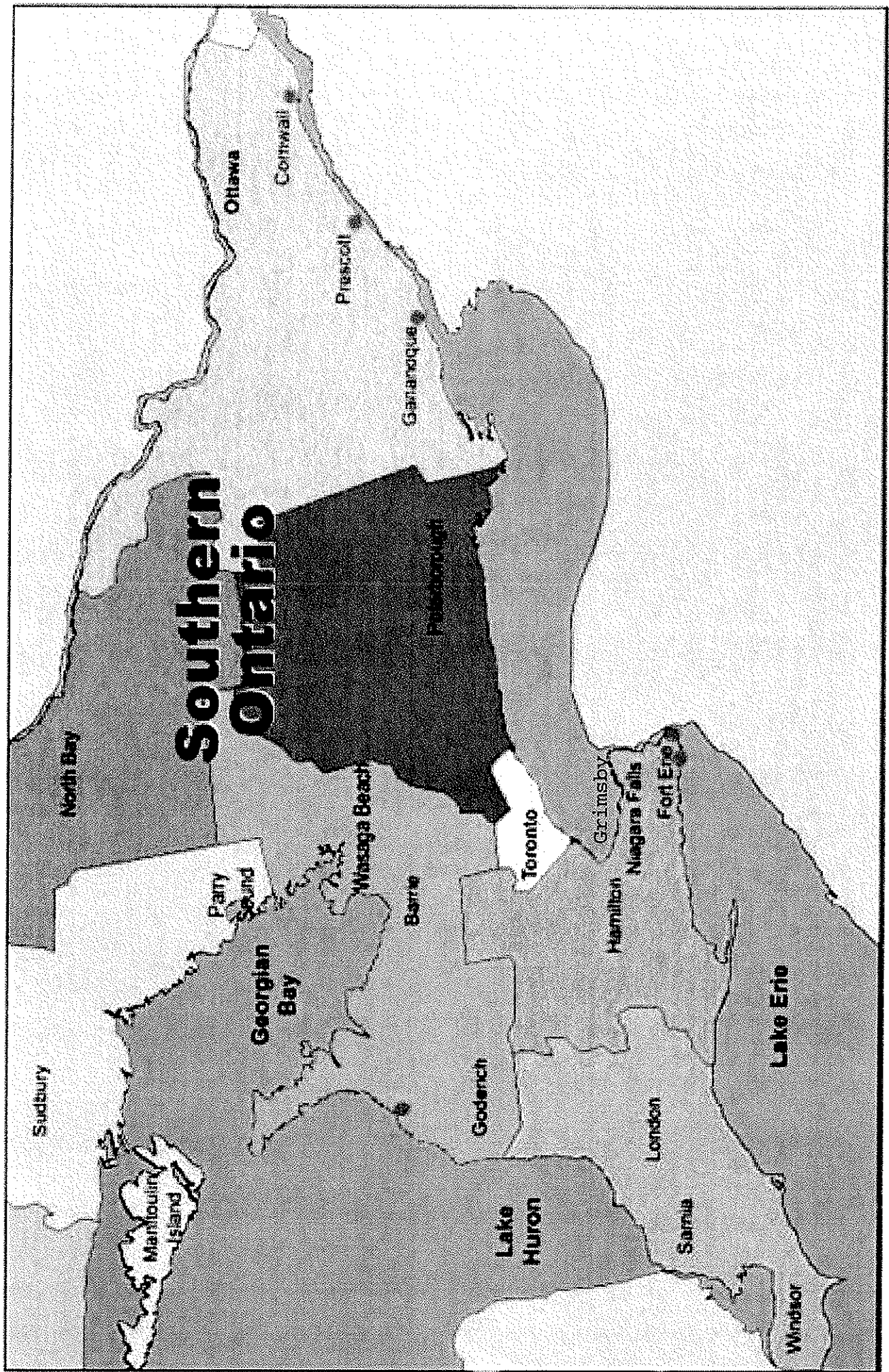
Revision

App'd:

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FortisOntario

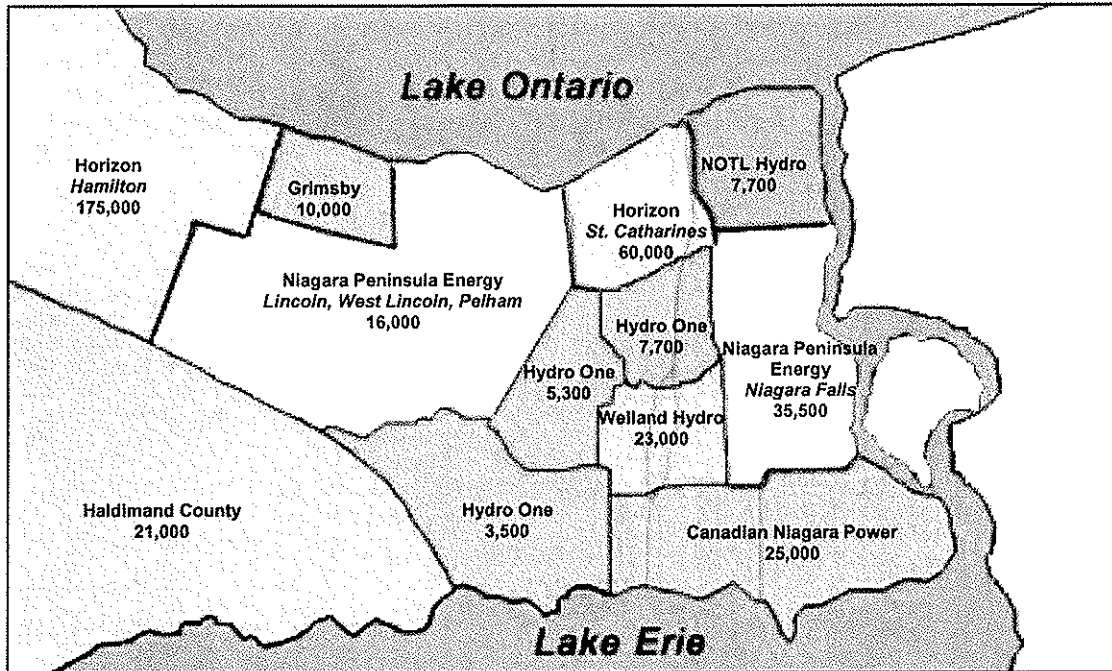
Map



Niagara Region Electric Utilities

Map

MAP OF NIAGARA REGION ELECTRIC UTILITIES



Grimsby Power Service Area

MAP OF GRIMSBY

