

November 27, 2009

BY EMAIL and COURIER

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

**Re: Deferral Account - *Green Energy and Green Economy Act, 2009*
and Transmission System Planning - Great Lakes Power Transmission LP**

We are legal counsel to Great Lakes Power Transmission LP ("GLPT"). This letter is to request that the Ontario Energy Board (the "Board") grant to GLPT a deferral account for the purposes of recording capital and OM&A expenses related to renewable generation connection, system planning and infrastructure investment arising from, the Green Energy and Green Economy Act, 2009 ("GEA") and related amendments to the Ontario Energy Board Act, Electricity Act; amendments to the Transmission System Code; the OPA's FIT Program; and the IPSP or its possible amendment.

GLPT'S System

GLPT's transmission system is a fundamental part of Ontario's bulk transmission system. GLPT's transmission system is a critical link in that part of the IESO-Control Grid that extends from the Manitoba border to Sudbury, Ontario.

In 2006, the transmission reinforcement project was completed by Great Lakes Power Limited (the predecessor of GLPT). This project included, among other things, the construction of 230 kV transmission lines running north from Third Line TS (GLPT) and Wawa TS (Hydro One) and the refurbishment of the east-west line P21G running from Third Line TS to Mississagi TS (Hydro One). A number of benefits were provided by the project including:

- the elimination of transmission constraints and thereby increasing transfer limits to permit full evacuation of generation from GLPT's transmission system during a system peak;
- improved voltage stability at Wawa TS to increase the East-West Tie ("EWT") limit and improved voltage stability at Mississagi TS, thereby allowing for future reinforcement of the EWT and Mississagi limits.

In 2009, the GLPT transmission system peak load was approximately 315 MW in summer and 445 MW in the winter. Within GLPT's transmission system, some of Ontario's more significant loads are served. These include ESSAR Steel Inc., St. Marys Paper Inc., Flake Board Inc. and the City of Sault Ste. Marie. Installed generation capacity connected to GLPT's transmission system is 674 MW. During peak periods, the generation in excess of GLPT load is evacuated predominantly to the east via the Mississagi TS GLP / Hydro One connection and added to the west to east flow of approximately 335 MW thus ultimately supplying load to southern Ontario.

Green Energy Act

In addition to GLPT's current role in respect of the Ontario power system, GLPT's role has been enhanced by the GEA and initiatives arising from Ontario's green energy policy. Pursuant to Section 25.36 of the *Electricity Act*, 1998 (as amended) a transmitter is obliged to connect a renewable generation facility to its transmission system if the generator requests the connection in writing and makes the applicable technical, economical and other requirements prescribed by regulation, the Market Rules or by an order or code of the Board. Under Section 26(1.1), a transmitter is obliged to provide priority access through its system to a renewable generation facility that meets the requirement prescribed by regulation.

In addition, Section 70(2.1) of the *Ontario Energy Board Act* deems as part of a transmitter's license the requirement to provide priority connection access to its transmission system for renewable energy generation facilities. Furthermore, Section 70(2.1)(2) requires transmitters to prepare plans for the expansion or reinforcement of the transmission system to accommodate the connection of renewable energy generation facilities.

It is estimated that there is up to 630 MW of new wind development in and around the GLPT transmission system. Preliminary conclusions¹ suggest that any connection of wind resources between 40-60 MW would trigger the need for an upgrade on GLPT's transmission system, including the construction of new network 230 kV lines.

In addition, based on recent announcements by the Minister of Energy and Infrastructure (the "Minister"), Hydro One Networks has been asked to pursue certain transmission projects, including "East-West Tie: Nipigon by Wawa" and "Sudbury Area by Algoma Area". These projects include and have an impact on the GLPT transmission system. The Minister has encouraged Hydro One Networks to pursue partnerships in respect of various projects. It is GLPT's intention to seek to partner with Hydro One Networks in respect of these and other projects, including projects that may not necessarily be located in the proximity of GLPT's current transmission system.

Deferred Account

As a result of the foregoing, GLPT presently and throughout 2010 will incur expenditures relating to green energy initiatives that could ultimately be capitalized as part of future capital projects or be treated as OM&A expenses.

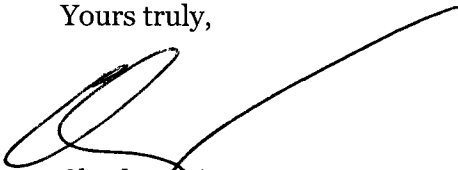
¹ Based on results provided to the OPA as part of the FIT process and is dependant on connection location.

GLPT believes that it satisfies the Board's criteria of causation, materiality, management inability to control and prudence articulated by the Board as the basis for establishing such an account. GLPT's activities are clearly driven by current Ontario energy policy as set out within the amended Electricity Act, the OEB Act, the OPA FIT Program, and the IPSP. As an integral part of Ontario's bulk power system, GLPT will have to respond to the statutory and regulatory directives established as part of Ontario's energy policy.

For similar reasons, the Board established such an account for Hydro One Networks Inc. as part of EB-2008-0272. In addition, the Board recognized the need to establish a similar account for distribution utilities as described in the Board's guidelines for "deemed conditions of license: distribution system planning" (G-2009-0087) dated June 16, 2009.

As a result, there is a clear precedent for establishing such an account and as such GLPT requests approval to record applicable costs in a deferral account commencing immediately.

Yours truly,

A handwritten signature in black ink, appearing to read 'Charles Reizer', with a long, sweeping horizontal line extending to the right.

Charles Reizer

Tel 416.865.7512
Fax 416.865.7380
ckeizer@torys.com

c.c. A. McPhee
D. Fecteau
P. Duguay