



CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO
Company

April 9, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: A REQUEST TO ESTABLISH A DEFERRAL ACCOUNT

Canadian Niagara Power Inc. ("CNPI") is a licensed Ontario electricity transmitter that operates a transmission system in the Niagara Falls/Fort Erie area, including an international interconnection to US National Grid's transmission system in Buffalo, New York.

On July 16, 2009, CNPI filed an application with the Ontario Energy Board, (the "Board") under section 92 of the *Ontario Energy Board Act, 1998* (the "OEB Act") for an order granting leave to construct the facilities described at Appendix "A" to this letter (the "Project"). The purpose of the Project was to bring CNPI's transmission system in line with minimum standards for reliability established under the Transmission System Code and realize the benefits associated with achieving those standards. The Board assigned File No. EB-2009-0283 to that application (the "Leave to Construct Application").

On March 29, 2010, the Board issued a decision in which it denied CNPI leave to construct the Project. Consequently, CNPI will not be proceeding with the Project. Nevertheless, CNPI made a substantial investment in preliminary costs for the Project, including: System Impact Studies amounting to approximately \$250,000, Engineering, Environmental and Financial Studies amounting to approximately \$665,000 and accumulated interest during construction of approximately \$209,000. These costs together with representation costs and internal costs related to the impact studies and the Application have totalled approximately \$1.5 million (the "Preliminary Costs"). CNPI respectfully requests that it be permitted to establish a deferral account to record its Preliminary Costs for the Board's consideration in a future proceeding.

The test applied by the Board in denying the Leave to Construct Application was the “public interest test”, as set out in subsection 96(1) of the OEB Act. Although the Board held that the Project did not satisfy the public interest test, CNPI believes that its Preliminary costs were prudently incurred. CNPI is not requesting a finding of prudence by the Board as part of this request for a deferral account. CNPI understands that any approval of the requested deferral account would in no way be indicative of the Board’s views of the prudence of the Preliminary Costs.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994 3634.

Yours truly,

Original Signed by

Douglas Bradbury, P. Eng.
Director, Regulatory Affairs

Appendix A

The Project

CNPI is a licensed Ontario transmitter which operates a transmission system in the Niagara Falls and Fort Erie area which includes an international connection to US National Grid's ("USNG") transmission system in Buffalo, New York, and operates under a National Energy Board permit.

The Project involved assets in both Ontario and New York. The proposed assets situated in Ontario comprised of the following:

- reinforcing 2 km of CNPI's 2-circuit 115 kV line (circuits A36 and A37) extending from Hydro One's Niagara Murray TS in Niagara Falls, Ontario;
- replacing 0.5 km of conductor on CNPI's existing 115 kV line from Bertie Hill Tower to Queen Street Tower in Fort Erie;
- replacing approximately 0.66 km of conductor on the existing 115 kV line from the Queen Street Tower in Fort Erie, across the Niagara River; to the High Tower adjacent to Terminal House B in Buffalo;
- installing a 115 kV circuit breaker adjacent to the A36N/A37N taps out of Niagara Murray TS;
- installing two 115 kV circuit breakers at CNPI's Station #17 in Stevensville; and
- installing a 150 MVA phase shifting transformer and voltage regulator at CNPI's Station #18 in Fort Erie.

The proposed assets situated in the Buffalo, New York comprised of the following:

- constructing a 115 kV, 3-breaker ring station at USNG's Switch 998 in Buffalo, New York; and
- replacing 10 km of conductor on the existing 115 kV line from USNG's Huntley Station to a new 115 kV Paradise Station being planned by USNG in Buffalo, New York.

The proposed location of both the Ontario and New York assets is set out in the map provided on the following page.

Canadian Niagara Power Inc.
Transmission Reinforcement Project
Niagara Falls / Fort Erie Area

