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November 5, 2007

VIA E-MAIL AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2601
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: Notice of Proposal Under Section 81 of the *Ontario Energy Board Act*,
1998 as Submitted by Kruger Energy Inc. Board File Number EB-2007-
0691**

We represent Kruger Energy Inc. ("KEI") in the above stated matter.

Please find attached 4 hard copies and 1 electronic copy on CD of a letter by KEI and 3 supporting exhibits that KEI submits for the Ontario Energy Board's ("OEB") consideration in its review of the above matter. KEI is submitting these materials pursuant to Procedural Order No.1 issued by the OEB in respect of the above stated matter on October 25, 2007.

Should the Board require any further information in addition to that which has been provided, please do not hesitate to contact the writer.

Yours truly,

BORDEN LADNER GERVAIS LLP

Original Signed By Andrew Smith

Andrew Smith

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Jacques Gauthier

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November 5, 2007

Via Email and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, Suite 2601
2300 Yonge Street
Toronto, On, M4P 1E4

Dear Ms. Walli:

**Re: Notice of Proposal Under Section 81 of the Ontario Energy Board Act, 1998 as submitted by Kruger Energy Inc.
Board File Number EB-2007-0691**

Kruger Energy Inc. ("KEI") submits this letter in accordance with Procedural Order No.1 issued by the Ontario Energy Board (the "OEB") in respect of the above stated matter on October 25, 2007.

KEI filed its Notice of Proposal with the OEB on July 17, 2007. The Notice of Proposal was filed pursuant to Section 81 of the *Ontario Energy Board Act, 1998* ("the Act") which states:

No generator or affiliate of a generator shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

- (a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
- (b) has approved the proposal under section 82.

Standard for Approval of Proposal

On September 13, 2007, the OEB issued a Notice of Review to KEI in respect of the Notice of Proposal. Section 82(3) of the Act provides the standard for approving a proposal described in a notice filed under Section 81 of the Act. Section 82(3) states:

The Board shall make an order approving a proposal described in section 81 if it determines that the impact of the proposal would not adversely affect the development and maintenance of a competitive market.

It is KEI's submission that its construction and operation of the Project would not adversely affect the development and maintenance of a competitive market.

Background Information

The Notice of Proposal relates to the construction and operation of a proposed 100 MVA substation in the Municipality of Chatham-Kent (the "Project"). The Project would be located within the Bloomfield Business Park, and would connect to the 230kV lines between Chatham TS and the Lauzon TS.

As noted in Section 1.4.1 of the Notice of Proposal, KEI has 0% generation market share prior to the Project and in Section 1.5.3 of the Notice of Proposal, after the completion of the Project, the expected generation market share KEI would possess would represent a fraction of one percent of the Annual Primary Demand within Ontario.

KEI's affiliate, Kruger Energy Port Alma Limited Partnership ("KEPA") will be constructing a 44 wind turbine generation facility with a total capacity of 101.2 MW that will be located near Port Alma, Ontario, in the Municipality of Chatham-Kent. The KEPA generation facility is being constructed as a result of KEPA being chosen as a successful proponent in the Government of Ontario's Renewables II Request for Proposals for up to 1000 MW of Renewable Energy Supply issued in June 2005. The construction of supporting transmission assets in relation to KEPA's Generation Facility was the subject of an OEB Leave to Construct proceeding which was open to public participation. After completing its review, the Board granted KEPA Leave to Construct on May 29, 2007. It is important to note that the KEPA generation facility will be unrelated to the Project and will connect at a separate transformer substation which will be located approximately 6 kilometres west of the town of Merlin.

Proposed Cooperative Development and Operation of Project with Partners

There are four parties who have indicated an intent to intervene in the OEB's review by filing letters with the OEB. The Independent Electricity System Operator and the Ontario Power Authority have intervened in their regulatory capacity and their stated roles as having responsibility for transmission planning and access to the transmission grid. Allus Power Inc. and Chatham-Kent Hydro Inc. are parties with commercial interests in the region who are also intervening in the OEB's review. As a result of KEI's consultations, it has reached a tentative agreement with Chatham-Kent Hydro Inc. in support of the Project. In addition, AIM PowerGen Corporation had, in a letter dated September 5, 2007, previously requested a formal meeting with the OEB in respect of this Project.

KEI, or an affiliate of KEI to be subsequently created, does expect to connect generation facilities to the Project after it is constructed. However, as noted in Section 1.5.1 of the Notice of Proposal, "[i]n future, other generation facilities, unrelated to KEI, may wish to connect to the Project." To this end, KEI has welcomed consultation and feedback with developers of electricity generation projects and other stakeholders in the region.

Further to its Notice of Proposal, in which KEI recognized an opportunity for developers of generation facilities, unrelated to KEI, to connect their facilities to the Project, KEI is in the negotiation process of a Memorandum of Understanding with Aim PowerGen Corporation pursuant

to which both parties would agree to share in the costs of development, construction and operation of the Project and would be able to connect generation facilities they own or control up to their proportionate share of the Project's total capacity. If the OEB approves the Proposal, the Memorandum of Understanding expressly contemplates the addition of other parties into similar agreements. KEI wishes to note again that it is not opposed to the involvement of other parties in this Project nor to the subsequent connection of unrelated generation facilities to this Project, on commercially reasonable terms, after it has been constructed. Indeed, it has taken steps to effect this result and is receptive to further consultation and negotiation with other parties in the future.

As a result of these consultations with AIM and other stakeholders in the region, KEI has received a letter of support in respect of the Project from the Municipality of Chatham-Kent. This letter of support is attached as Exhibit 1.

The Project is Being Proposed in Response to an Identified Need in the Market

In its consultations with Chatham-Kent Hydro Inc., KEI was made aware of the need for a new substation in order to address current grid constraints. Rather than negatively impacting on competition, the underlying purpose of this Project is to enable new generation to enter into the market. New interconnection capacity is crucial to the development and maintenance of a competitive market. If the Project is approved and ultimately constructed, KEI anticipates that it would ultimately make a value based transfer of the Project to Chatham-Kent Hydro Inc. if Chatham-Kent Hydro Inc. is amenable to acquiring the Project on this basis.

To this extent, Section 4 of the Integrated Power System Plan of the OPA clearly indicates that "[t]here are two key elements to implementing the renewable goals: the acquisition of renewable supply and the transmission enhancements that are necessary to facilitate the supply".

Because the South Chatham area in question has high potential for wind projects, this need for transmission enhancements is all the more acute in this area.

For example, there is currently a shortfall of distributed generation connection capacity apparent in the market. This can be evidenced by the letters received by KEI with respect to our Standard Offer Program projects in the region, which we have also enclosed hereto as Exhibits 2 and 3 respectively.

The Project will consist of a 100 MVA substation. The substation will consist of one (1) Power transformer 230-34.5 kV/27kV, 66/88/110 MVA and switchgear necessary to connect to the C23Z and C24Z circuits.

KEI is in the process in securing the land rights upon which the Project would be constructed. It has had discussions with the Municipality of Chatham-Kent in this regard and has received a draft of a Conditional Offer to Purchase lands at the Western end of the Chatham Kent Business Park, near Seventh Line and Bloomfield Road. These negotiations are currently underway.

Conclusion

The standard prescribed by Section 82(3) of the Act is that the Board shall approve a proposal described in a notice filed under Section 81 of the Act if it determines that the impact of the proposal would not adversely affect the development and maintenance of a competitive market.

KEI has filed its Notice of Proposal in an effort to ease transmission constraints that have been identified within the OEB licenced service territory of Chatham-Kent Hydro Inc. KEI recognizes and appreciates the importance of reviewing the potential impacts on competition on a project-by-project basis, and submits that this Project is being developed with the underlying purpose of enabling new generation to enter into this market. KEI requests that the OEB takes the submissions included in this letter and attached exhibits into account in its review of the Notice of Proposal and respectfully submits that these concerns support the determination that the Project would not adversely affect the development and maintenance of a competitive market.

Yours very truly,



Jacques Gauthier
Senior Vice President and COO

cc. Mayor Randy Hope, Municipality of Chatham Kent
Ray Payne, Chatham-Kent Energy Inc.
Dave Kenny, Chatham-Kent Energy Inc.
Jim Hogan, Chatham-Kent Energy Inc.
Mike Crawley, AIM Powergen Corporation
Carl Burrell, Independent Electricity System Operator
Miriam Heinz, Ontario Power Authority
Joe Fontana, Allus Power Inc.



MUNICIPALITY OF CHATHAM-KENT

315 KING STREET WEST • P.O. Box 640 • CHATHAM, ONTARIO • N7M 5K8

OFFICE OF THE MAYOR

TELEPHONE: (519) 436-3219 FAX: (519) 436-3236

November 5, 2007

To Whom it May Concern

Re: Board File Number EB-2007-0691

By this, the Municipality of Chatham-Kent confirms that it is aware of, and is supportive of, Kruger Energy Inc.'s intention to construct a 100 MW substation in the Municipality of Chatham-Kent. The Municipality understands that this substation will be built on lands at the Bloomfield Business Park, and would connect to the 230 kV lines between the Chatham and the Lauzon transformer stations.

The Municipality understands that the purpose of building the Substation is to allow Kruger Energy and its potential partners in the substation project to bring new renewable energy generation to the electricity market. As such, construction of the substation without delay will contribute to increased generation interconnection capacity in Chatham-Kent. This initiative is in line with, and will contribute to, the Municipality's stated objective of adding renewable energy projects within its territory.

If you have any questions, please contact me directly.

Sincerely,

Randy R. Hope, Mayor /CEO
Municipality of Chatham-Kent

c. Guy Paquette



483 Bay St., Toronto, Ontario M5G 2P5

Kruger Energy
Jean Roy/Michael Cookson
3285 Bedford Rd
Montreal, Quebec H3S 1G5

March 16th, 2007

Generation Connections Department
Hydro One Networks Inc.
483 Bay Street
15th Floor, North Tower
Toronto, ON M5G 2P5

Re: ID#587 – North Buxton Wind (9.2MW)
ID#588 – Blenheim Wind (9.2MW)

Dear Jean/Michael,

Hydro One continues to support the Government of Ontario's initiatives to encourage the connection of new embedded generation facilities (EG) using renewable and clean technologies.

As such, we have received numerous applications for the connection of new EGs on our distribution system. As many of these applications are located in the same areas, Hydro One is following the queue rules outlined by the Ontario Energy Board in the Distribution System Code.

Your proposed EG is located in an area where Hydro One has already received many applications that total 334MW. This is beyond the capacity of our supply station (Kent TS/M17). Therefore, the Initial Feasibility Assessment will not be done. However, your application will be maintained in sequence should an opportunity arise in the future, at which time we will ask you to resubmit Form A with the updated information. Please reference your project ID number on all future correspondence with respect to this project.

Hydro One's distribution generation connection queue list is available at http://www.hydroonenetworks.com/en/customers/generators/generation_connections/distribution/queue_process/default.asp. This website will be updated periodically. Please refer to this website for any changes in the queue.

Sincerely,
Konrad Witkowski
Generation Connections Department
Hydro One Networks Inc.

Hydro One Networks Inc.
483 Bay Street, 15th Floor, North Tower
Toronto, Ontario
M5G 2P5



Jean Roy,
3285 Bedford Rd.
Montreal, QC
H3S 1G5

September 17, 2007

Re: Kruger Energy - Merlin Wind, Project ID # 470

Dear Jean,

This letter serves to inform you that the connection of your proposed project, ID #470, will exceed the load limit of the Hydro One distribution feeder circuit (<50kV) you have applied to.

The maximum loading of all Hydro One distribution feeder circuits (<50kV) is limited to 400 amps. This limit must be respected over the full range of customer load and generation connection rating and is applicable to all distribution feeder circuits. This maximum loading limit ensures that the Hydro One distribution system is operated in a safe and reliable manner.

As required by the Distribution System Code (DSC), Hydro One permits upgrades of feeder circuits for situations where the existing equipment rating is exceeded. However, such upgrades are limited as follows:

- Equipment upgrades must be within the standard rating of 600 amps; and
- Distribution feeder maximum loading limit of 400 amps must be maintained.

Due to your queue position at Kent TS and the loading of the 27.600000000000001kV, M1 distribution feeder circuit you have applied to, the connection of your project as currently proposed will exceed the maximum 400 amp loading limit for the feeder. As a result of this limitation, your project cannot move forward at this time.

We are highlighting this situation prior to carrying out the Connection Impact Assessment for your project so that you understand a CIA is very likely to conclude that your project can not be connected. Given this, we would suggest that we put a hold on this CIA and that you explore other options. This could include withdrawing the project (and receive a refund of the funds paid to Hydro One for the CIA), submitting a new application for connection to a different station and/or feeder or waiting until another project or projects ahead of yours in the queue drop off enabling your project to be connected within the feeder loading limit.

If you submit a new application, the date of receipt of your complete application (Form B, CIA Study Agreement, and Fee) will determine your place in Hydro One's Distribution Generation Connections Application List.

As always, Hydro One is willing to provide system information should you require it. Please contact Faruq Remtulla at (416) 345-6173 or Pankaj Sharma at (416) 345-5159.

In the event that you have chosen not to proceed with this project, please advise us in writing.

This letter is couriered to the owner of the generation facility and sent in duplicate electronically.

Hydro One supports the Province's efforts to strengthen electricity supply through the Renewable Energy Standard Offer Program (RESOP). For further information and updates, please visit our project website at: www.HydroOneNetworks.com/GenerationConnections

Sincerely,

Bob Singh
Manager, Generation Connections
Hydro One Networks Inc.