

BOARD STAFF INTERROGATORIES
KRUGER ENERGY INC. ("KEI")
NOTICE OF PROPOSAL UNDER SECTION 81 OF THE ONTARIO ENERGY
BOARD ACT, 1998
BOARD FILE NUMBER EB-2007-0691

LOCATION OF SUBSTATION

References

- (a) KEI's Preliminary Filing Requirements For a Notice of Proposal under Sections 80 and 81, dated July 16, 2007, Section 1.5.1 states:

The Project would be located in the Municipality of Chatham-Kent, near the Bloomfield Business Park, and the connection would be to the 230kv lines between the Chatham TS and the Lauzon TS.

- (b) KEI Submission, dated November 5, 2007, Section titled "Background Information" states:

The Project would be located within the Bloomfield Business Park, and would connect to the 230kV lines between Chatham TS and the Lauzon TS.

Question

1. What is the location of the KEI project? Reference (a) indicates that location is near the Bloomfield Business Park while Reference (b) indicates that the location is within the Bloomfield Business Park.

CONSTRUCTION OF 100 MVA SUBSTATION FOR FUTURE GENERATION

References

- (c) KEI Response to Allus Power Inc. Submission, dated September 11, 2007, Section titled "Competition" states:

KEI will allow other projects unrelated to KEI to access the Substation, provided those proponents are willing to contribute to the costs KEI incurs in construction, and the on-going reasonable costs of operation and provided KEI is able to connect its contemplated generation project(s). Finally KEI's objective is to make a value based transfer of the Substation back to Chatham Kent Hydro if Chatham Kent Hydro is amenable.

- (d) KEI Submission, dated November 5, 2007, Section titled "Proposed Cooperative Development and Operation of Project with Partners" states:

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 the Project on commercially reasonable terms after it has been constructed.

Questions

2. What is the basis/rationale for KEI's decision to size the substation for 100 MVA (i.e., why did KEI choose to build a substation with a capacity of 100 MVA)?
3. What criteria does KEI plan to use to determine which generation projects (KEI, KEI affiliates, other) will be connected to the substation?
4. What does KEI mean by the "reasonable costs of operation" noted in Reference (c) and the "commercially reasonable terms" noted in Reference (d)? Will these be the actual costs of construction and operation? If not, how will these costs and terms differ from actual costs?
5. What justification does KEI have to support that a transmission licence would not be required for this project?

IDENTIFICATION OF NEED FOR SUBSTATION

References

- (e) KEI Response to Allus Power Inc. Submission, dated September 11, 2007, Section titled "Consultation with Chatham-Kent Hydro" states:

With respect to this Notice of Proposal, KEI has had discussions with Chatham Kent Hydro regarding the proposed Substation. Officials at Chatham Kent Hydro identified a need for a new substation in order to address current grid constraints. On the basis of these discussions and in an attempt to accelerate construction of the necessary interconnection asset, KEI decided to seek approval for the Substation.

- (f) KEI Submission, dated November 5, 2007, Section titled "The Project is Being Proposed in Response to an Identified Need in the Market" states:

For example, there is currently a shortfall of distributed generation connection capacity apparent in the market. This can be evidence 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.

(g) KEI Submission, dated November 5, 2007, Exhibits 2 and 3

The exhibits are correspondence from Hydro One Networks Inc. noting limitations in distribution circuits, specifically at Kent TS. Hydro One Networks Inc. advised KEI that its Standard Offer Program projects could not move forward at this time due to the limitation.

(h) KEI Submission, dated November 5, 2007, Section titled "Conclusion" states:

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.

Questions

6. Describe the grid constraints identified by officials at Chatham-Kent Hydro in Reference (e). Were the constraints identified on the Chatham-Kent Hydro distribution system?
7. Explain the relationship between the grid constraints identified by officials at Chatham-Kent Hydro in Reference (e) and the limitations in distribution circuits identified by Hydro One Networks Inc. in Reference (g).
8. Describe how the proposed 100 MVA substation connected to the 230 kV transmission system addresses grid constraints identified by officials at Chatham-Kent Hydro in Reference (e) or a shortfall of distribution generation connection capacity noted in Reference (f).
9. Describe the transmission constraints identified within the service territory of the licensed distributor, Chatham-Kent Hydro Inc. (Reference (h)).
10. How does the 100 MVA substation ease the transmission constraints noted in Reference (h)?
11. Has KEI prepared a line drawing for the project? If yes, please provide a copy.
12. Has KEI initiated a System Impact Assessment with the Independent Electricity System Operator? If yes, please provide a copy of the current System Impact Assessment document.
13. Has KEI initiated a Transmission Customer Impact Assessment with Hydro One Networks Inc.? If yes, please provide a copy of the current Customer Impact Assessment document.
14. According to KEI's notice of proposal and submission, the facility will be connected to a transmission line. All of KEI's submissions regarding constraints seem to be related to distribution lines. Have the Independent Electricity System Operator or Hydro One Networks Inc. identified any transmission constraints or limitations in the 230 kV transmission system

- between the Chatham TS and the Lauzon TS? The assistance of the Independent Electricity System Operator and Hydro One Networks Inc. will be required to answer this interrogatory.
15. Will the construction of the KEI 100 MVA substation limit the access of other parties to the 230 kV transmission lines between the Chatham TS and the Lauzon TS? How much available capacity is there on the 230 kV transmission lines between the Chatham TS and the Lauzon TS? The assistance of the Independent Electricity System Operator and Hydro One Networks Inc. will be required to answer this interrogatory.