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December 18, 2007

Via E-mail 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. (the “Notice”) Board File Number EB-2007-0691

We write further to our conversation with Violet Binette of the Ontario Energy Board (the “Board”) on December 10, 2007. We contacted Ms. Binette in order to enquire about the status of the Board’s review and potential timelines for subsequent procedural steps with respect to the Notice. Ms. Binette indicated that the Board Panel (the “Panel”) was of the view that issues raised in the interrogatories and Kruger Energy Inc.’s (“KEI”) responses may require further clarification and that a technical conference to be held in late February would be a way to address such issues.

We understand that the late February date was suggested at least in part in light of KEI’s responses to the interrogatories filed with the Board on November 19, 2007 wherein KEI indicated that it expected to file the Connection Impact Assessment (“CIA”) with Hydro One and the System Impact Assessment (“SIA”) (collectively, the “Applications”) with the IESO in January 2008. The January timeline for filing the Applications was established in part on the expectation that KEI would have some indication of the Board’s position with respect to KEI’s proposal under Section 81 of the *Ontario Energy Board Act, 1998* (the “Act”). However, KEI is still working towards this timeline for the filing of the CIA and SIA.

Furthermore, KEI does not believe it would be beneficial to wait until late February for the next procedural step. If KEI does proceed to file the Applications in January, KEI would not be in a position to provide any further technical information in late February than it would at the time of filing the Applications. Both Applications will take several months for the IESO and Hydro One to complete and KEI does not see how it would be able to provide further information to the Board in February on technical issues. By filing in July, KEI was providing notice to the Board under Section 81 of the Act of its proposal to develop and construct a 100 MVA substation in the Municipality of Chatham-Kent. KEI understood that, in addition to filing the Notice with the Board, KEI would also be required to meet the technical requirements that flowed from the

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Applications. However, KEI considered its ability to develop the project in accordance with Section 81 of the Act to be a threshold issue.

If KEI files the Applications as planned, neither KEI nor Hydro One nor the IESO are likely to have any further technical information pertaining to the proposal by late February. For this reason, it is unclear whether a technical conference would assist the Panel or the parties in clarifying issues of relevance to the Section 81 review. KEI further notes that it has not yet had the opportunity to respond to the evidence submitted by the IESO, Hydro One and Invenenergy Canada as was contemplated under item 6 of the Board's Procedural Order No. 1. KEI submits that an opportunity to respond would enable KEI to provide clarity on some of the issues raised by the intervenors.

KEI is also mindful that by proceeding with the Applications it would be undertaking a significant financial investment and commitment of personnel to pursue a project for which, in the absence of the Board's approval, it is not certain it will be able to ultimately complete. From a business perspective, KEI will need to decide at some point whether to further pursue this project in the absence of a decision in this matter.

KEI is amenable to working with the Board and the intervenors to address issues that will assist the Board in reaching a decision. However, KEI believes that both the Board's performance standards and the spirit of Section 82(1) of the Act warrant that any additional procedural steps in the Board's review be taken expeditiously. KEI submits that a late February meeting and the further time required thereafter to learn the outcome of its proposal would represent a significant delay that would not be in the best interests of any party. As such, KEI respectfully requests the opportunity to address any remaining issues that would assist the Board in reaching its decision in as timely a manner as is possible in the new year.

Please do not hesitate to contact the writers should you have any questions.

Yours very truly,

Borden Ladner Gervais LLP

Original Signed by Andrew Smith

Andrew Smith

cc. Guy Paquette, Kruger Energy Inc. (by e-mail only)
Hon. Joe Fontana, Allus Power Inc. (by e-mail only)
Jim Hogan, Chatham-Kent Hydro Inc. (by e-mail only)
Dave Kenney, Chatham-Kent Hydro Inc. (by e-mail only)
Miriam Heinz, Ontario Power Authority (by e-mail only)
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