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May 6, 2011

BY COURIER, RESS AND EMAIL

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor, Box 2329  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Waterpower Association  
Updated Exemption – Exhibit K2.1  
Board File No. EB-2011-0067**

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Further to the decision of the Board dated May 5, 2011, the Ontario Waterpower Association (“OWA”) was to file Exhibit K2.1 and an updated version of Exhibit K2.1 given the decision. The Board indicated that the OWA to discuss revised wording with Hydro One Networks Inc. (“Hydro One”) and file it with the Board.

Exhibit K2.1 and Exhibit K2.1 Updated are attached, as is Undertaking Response J1.2, which is the list of proponents that was presented to the Board as an undertaking response. The preamble in Exhibit K2.1 Updated has been revised to include the restrictions stipulated by the Board in the Transcript at page 58, lines 13 to 19 and slightly modified at page 59, lines 23 to 27.

In reviewing the Transcript, page 58, lines 23 thru 28, the Board indicated an effective date of May 5, 2011, but the context was in the discussion regarding the interim decisions that had been issued by the Board and the potential for further applications for further interim decisions. We did not interpret this statement as an intention to exclude the projects that had paid the full 100% deposit but rather an indication that further materials would not be required regarding interim relief.

The OWA understood that the Board’s decision was intended to benefit the proponents shown on Undertaking Response J1.2 who have already paid the 100% deposit, given that enabling the said proponents (who number a total of four) to benefit would provide equal treatment to all the proponents shown on Undertaking Response J1.2. Therefore, paragraph 7 has been added to Exhibit K2.1 Updated to clarify that the proponents shown on Undertaking Response J1.2 who have already paid the 100% deposit will benefit from the Board’s decision.

May 6, 2011

Page 2

The OWA has discussed this wording with Hydro One and can inform the Board that Hydro One does not have any concerns with the addition of paragraph 7 for purposes of clarification. The OWA trusts this is acceptable to the Board.

An electronic version has been filed on RESS and two (2) hard copies are being couriered to the Board.

Please contact me at your earliest convenience to discuss the issue if there are any questions or clarifications required. Thank you for your attention in this matter.

Yours truly,

AIRD & BERLIS LLP



Scott A. Stoll

SAS/hm

Encl.

cc: Vincent J. DeRose  
Mark C. Graham  
Miriam Heinz  
Paul Clipsham  
Paul Norris

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For generation facilities for which the primary energy source is water with a capacity not exceeding 10 megawatts and that are located on provincial Crown or federally-regulated lands and for which the electrical connection is to the distribution system owned by Hydro One Networks Inc. ("Hydro One"), Hydro One shall be exempted from the current connection cost deposit stipulated in s. 6.2.18(a) of the Distribution System Code (the "DSC") and shall, instead, adhere to the following schedule:

1. \$20,000 per MW of capacity shall be paid by the proponent to Hydro One upon the execution of the Connection Cost Agreement.
2. An additional deposit in the amount of 30% of the total estimated cost, as estimated by Hydro One, less the amount received by Hydro One under paragraph 1 above, shall be paid by the proponent to Hydro One no later than 6 months after the proponent notifies Hydro One that it has issued its statement of completion under the earlier of the Waterpower Class Environmental Assessment and the equivalent environmental assessment process under the Canadian Environmental Assessment Act.
3. No later than 180 days after Hydro One receives payment of the amount referenced in paragraph 2 above, Hydro One shall provide to the proponent a construction schedule and a more accurate estimate of the project cost, if such estimate is requested and paid for by the proponent. The payment for the estimate shall be drawn from the deposit to the extent possible.
4. The balance of the total estimated cost, as estimated by Hydro One based upon the best available information, shall be paid by the proponent to Hydro One no later than 30 days after the proponent notifies Hydro One that it has received the last of its necessary construction approval permits under Ontario's Lakes and Rivers Improvement Act or the Dominion Water Power Act.
5. Hydro One and the proponent shall mutually agree upon an in-service date that is no later than 2 years after Hydro One receives the balance referenced in paragraph 4, above, subject to the following: in cases where a transmission upgrade or new transmission facilities are required, Hydro One and the proponent may agree to an in-service date that is later than two years after Hydro One receives the balance referenced in paragraph 4, above.
6. The Expansion Deposit, as stipulated by Section 3.2.20 of the DSC, shall be paid to Hydro One at the same time as the payment in paragraph 4.
7. Proponents shown on Undertaking Response J1.2 who already paid a 100 per cent deposit prior to May 5, 2011, as required by their Connection Cost Agreement entered into with Hydro One, shall receive a refund from Hydro One in the amount that exceeds the amounts required in paragraphs 1 through 5 above. Hydro One shall pay the said refund to each of the said proponents no later than

30 days after the applicable proponent has entered into a revised Connection Cost Agreement with Hydro One, setting out the payment schedule required herein.

Notwithstanding the foregoing, if at any time the above-noted payments to Hydro One are insufficient to cover Hydro One's costs as estimated by Hydro One, the proponent shall pay, to Hydro One, additional funding sufficient to meet the shortfall identified by Hydro One, and Hydro One shall be relieved of its obligation to perform such further work until it receives the said additional funding.



For generation facilities for which the primary energy source is water and for which the electrical connection is to the distribution system owned by Hydro One Networks Inc. ("Hydro One"), Hydro One shall be exempted from the current connection cost deposit stipulated in s. 6.2.18(a) of the Distribution System Code (the "DSC") and shall, instead, adhere to the following schedule:

1. \$20,000 per MW of capacity shall be paid by the proponent to Hydro One upon the execution of the Connection Cost Agreement.
2. An additional deposit in the amount of 30% of the total estimated cost, as estimated by Hydro One, less the amount received by Hydro One under paragraph 1 above, shall be paid by the proponent to Hydro One no later than 6 months after the proponent notifies Hydro One that it has issued its statement of completion under the earlier of the Waterpower Class Environmental Assessment and the equivalent environmental assessment process under the Canadian Environmental Assessment Act.
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