

Exh KT 1.1



RP-2004-0139
EB-2004-0219

IN THE MATTER OF an Application under section 78
the *Ontario Energy Board Act*, 1998, S.O. 1998, c.15
(Sched. B)

BEFORE: Paul Sommerville
Presiding Member

Bob Betts
Member

DECISION AND ORDER

Particulars of The Proceeding

On March 5, 2004, the Niagara West Transformation Corporation ("NWTC") made an application (the "Application") to the Ontario Energy Board (the "Board") for an electricity transmission licence and the setting of rates related to a newly constructed transformer station "Niagara West MTS" (the "transformer station"). On September 30, 2004, the Board granted NWTC a three-year electricity transmission licence ET-2004-0216. The Board also assigned file number RP-2004-0139/EB-2004-0219 to the rates setting part of the Application.

Included with the Application were letters from the Minister of Energy dated June 20, 2003 and September 29, 2003, which provided approval for the rates setting Application to be made to the Board as required by section 79.6 of the *Ontario Energy Board Act*, 1998. In his letter of September 29, 2003, the Minister attached certain conditions to his approval. These conditions are:

- Niagara West Transformation Corporation can only collect transformation-related costs associated with service that is *incremental* to that being provided by Hydro One Networks in servicing Grimsby Power's and Peninsula West Utilities' customers

- Niagara West Transformation Corporation shall engage in an annual or semi-annual true-up with Hydro One Networks to ensure that Niagara West Transformation Corporation collects only for incremental transformation connection service;
- Until the Board has determined the true cost of this service, Niagara West Transformation Corporation shall collect \$1.5/kW for transformation connection service from the date on which the transformer station comes into service.

The Board reviewed the Application and, in particular, the definition of incremental load as provided by NWTC.

The Board notes that there are two separate Connection and Cost Recovery Agreements, one agreement between Hydro One Networks and Grimsby Power Inc. dated January 29, 2004 and the other agreement between Hydro One Networks and Peninsula West Utilities Limited dated February 25, 2003. The base load for the purpose of determining the incremental transformation connection service is defined as the load above Base Load Trigger Point:

- For Grimsby, the Base Load Trigger Point is 19.274 MW; and
- For Peninsula West, the Base Load Trigger Point is 42.256 MW

The base loads were confirmed by Hydro One Networks in a January 25, 2005 letter to the Board and by NWTC in correspondence of February 24, 2005.

Board Findings

was PENWEST - see letter (A)

The Board finds that approval of NWTC's Application is in the public interest. The transformer station will help address a concern that existing Hydro One facilities have been overloaded and the station will improve transmission and distribution system reliability in serving Grimsby Power's and Peninsula West Utilities' customers. In addition, the transformer station will accommodate local growth in demand. The Board notes that the load service provided by the transformer station is incremental to the existing load service provided by Hydro One Networks. The granting of this rate to NWTC represents a transfer of income from Hydro One Networks to the new transformer owner for incremental load, so there will be no negative rate impact on ratepayers.

Based on the evidence filed, the Board finds that no person will be adversely affected in a material way by the outcome of this proceeding, and therefore has disposed of this matter without a hearing.

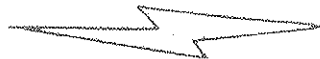
THE BOARD ORDERS THAT:

1. Niagara West Transformation Corporation is authorized to collect \$1.50/kW for the transformation service provided by the transformer station incremental to the existing load service provided by Hydro One Networks, effective March 12, 2004. The rate is authorized on an interim basis, pending the Board's final determination of the true cost of the service.
2. Niagara West Transformation Corporation shall establish accounts to record the income from the transformer station and the cost of providing the transformation service. Niagara West Transformation Corporation shall provide to the Board the accounts to be used and the proposed accounting treatment as soon as possible.
3. Niagara West Transformation Corporation shall provide an annual statement to the Board, with a copy provided to Hydro One Networks, indicating that the amounts recorded represent payment for incremental transformation load only.

ISSUED at Toronto, March 28, 2005.

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary



February 24, 2005

Hydro One
1225 King Street
Burlington, Ontario
L7R 3X5

Attention: Mr. Robert Davidson
Account Executive

Dear Robert,

Re: Base Load Trigger Point

We have confirmed with the Ontario Energy Board that the base load trigger point for Grimsby Power is 19.274MW and Pen West is 42.256MW for a combined guarantee of 61.530 MW as outlined in our Customer Cost Recovery Agreement.

As discussed with you today at the time we entered into the CCRA there was no major conservation initiatives or targets which have recently surfaced.

Both Grimsby and Pen West have filed Conservation & Demand Management Plans with the Ontario Energy Board, which were both approved on February 18, 2005. The Government of Ontario has clearly directed that we all contribute to reduce loads by at least 5% and we would like Hydro One's consideration to reduce our guarantees by at least the same amount.

We are proposing to reduce the base line trigger for Grimsby to 18.310 MW and for Pen West to 40.143 MW for a combined guarantee of 58.453 MW.

Please review this proposal with the appropriate parties within Hydro One and contact me at your earliest convenience.

Yours truly,

John A. Alton, CET
President

cc: B. Weber, Grimsby
J. Twan, OEB

JAA: jh

"Providing power for the future"

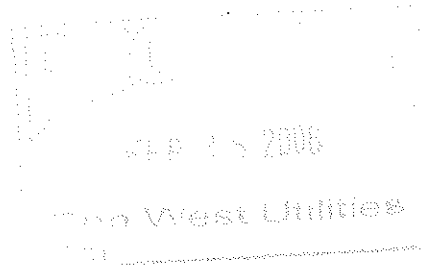
Peninsula West Utilities Limited

Hydro One Networks Inc.
Customer Business Relations
483 Bay Street
Toronto, Ontario
M5G 2P5



Feb 16, 2006

John Alton, President
Peninsula West Utilities
4548 Ontario St., Unit #2
Beamsville, On.
L0R 1B5



Year 1 (March 2004 - February 2005) Update for Peninsula West Utilities - Niagara West MTS
Connection and Cost Recovery Agreement

Dear John,

We are pleased to provide you with this update for the first year of the Niagara West MTS CCRA.

Based on the new Transmission System Code which came into force on August 20, 2005, the way in which we perform true-ups and the calculation of bypass has now changed.

For repayment of the line connection asset, actual incremental line connection revenue for the first year was lower than forecasted. This deficit in the line connection revenue will be carried forward until the first 5-year true-up period as required by the Code.

Regarding the guaranteed BLTP conditions in the CCRA, our analysis show that individually, Beamsville TS exceeded the BLTP criteria while Vineland DS was under the required loading as per attached. On an aggregate basis, Penn West has fully utilized Hydro One's facilities. Based on our interpretation of the new Code, the BLTP clauses within Section 20.1 of the CCRA as written are no longer enforceable. Going forward the provisions for true-ups and bypass as outlined in the new code will now apply.

Section 6.1.3 of the Code requires Hydro One to develop and submit its connection procedures to the Board for approval by the summer of 2006. These procedures will provide further true-up and bypass details on how the Code applies to projects like this. We will contact you later to review the CCRA once our connection procedures are submitted to the OEB.

If you have any questions regarding this update, feel free to contact your Account Executive, Robert Davidson.

Sincerely,

Jim Patterson,
Manager, Customer Business Relations
Hydro One Networks Inc.

low risk 5yrs

cc. Robert Davidson
etc.

Hydro One Networks Inc.
Customer Business Relations
483 Bay Street
Toronto, Ontario
M5G 2P5



Dec
Feb 19, 2006

Brian Weber, Grimsby Power Inc. and Niagara West Transformation Corporation,
238 Roberts Rd.
Grimsby, On.
L3M 5N2

Brad Randall, Pen West Utilities
4548 Ontario St., Unit # 2
Beamsville, On
LOR 1B5

Update: Niagara West MTS, CCRA - Beamsville TS BLTP Shortfall, March 2004 - Feb 2006

Dear Brian/ Brad,

In our previous BLTP shortfall calculation update for both the Grimsby Power and Pen West Utilities Niagara West MTS CCRA's dated Feb 25, 2003, we indicated that we would contact you once our connection procedures were submitted to the OEB. As you may recall, at that time our analysis showed that loading at both Hydro One's facilities at Beamsville TS and Vineland DS comes under the guaranteed BLTP conditions referenced in the CCRA.

We have now filed the Hydro One connection procedures with the OEB as required by the new code and would like to proceed with the reconciliation of the revenue shortfall for the March 2004 to April 2006 period. It is our opinion that the guaranteed BLTP and annual true up requirements outlined in the CCRA still apply and are consistent with both the OEB ruling RP-2004-0139/EB-2004-0219 and our filed connection procedures.

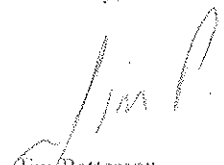
You will recall that our original update on the BLTP shortfall calculation was updated and corrected to the satisfaction of both Grimsby Power and Pen West Utilities. At our joint meeting of Nov 24, 2006, both Grimsby Power and Pen West Utilities agreed that Hydro One should proceed to invoice the Niagara West Transformer Commission (NWTC) on the basis of an aggregated BLTP shortfall.

Consistent with the BLTP shortfall calculation previously submitted to you, Hydro One will be invoicing NWTC shortly for the aggregated shortfall of \$51,748 at Beamsville TS for the March 2005 - April 2006 period. The aggregated deficit for the March 2004 - Feb 2005 period was negligible (\$127) and will not be invoiced. Although the loading at Vineland DS was under the BLTP, we did not experience a revenue shortfall since our HVDS rates are based on 1999 load levels.

Before we proceed with the invoice to NWTC, please confirm this is how you would like to proceed. An email to either Robert Davidson or myself will suffice.

If you have any questions regarding this reconciliation, please contact Robert Davidson or myself.

Sincerely,


Jim Patterson,
Manager, Customer Business Relations
Hydro One Networks Inc.

cc. Robert Davidson

Grimsby Hydro - Peninsula West - Niagara West MTS BLTP Calculation Year #1 Mar 04 - Feb 05																								
Non Coincident Peak (MW)																								
YEAR	MONTH	Grimsby Hydro BLTP Guarantee					Pen West BLTP Guarantee					Pen West + Grimsby												
		Beamsville TS					Vineland DS					Pen West Total	Beamsville+ Vineland DS	BLTP Guarantee (MW)										
		M3 H1 Bill	M4 H1 Bill	H1 aggregate Bill	Total	IESO billed	H1 aggregate Bill	Total	#1 H1 Bill	#2 H1 Bill	H1 aggregate Bill				Total									
2004	3	Mar	14,969	8,222		23,191	28,243			28,243	8,344	11,832		20,177	48,419	71,610								
	4	Apr	2,201	5,799		8,000	28,982			28,982	8,216	7,454		15,670	44,652	52,652								
	5	May	2,307	5,584		7,892	23,565			23,565	7,815	7,876		15,691	39,256	47,148								
	6	Jun	5,292	7,473		12,765	27,794			27,794	9,219	9,107		18,327	46,121	58,886								
	7	Jul	15,971	20,041		36,012	28,879			28,879	10,107	10,237		20,344	49,223	65,236								
	8	Aug	7,274	9,371		16,646	27,400			27,400	10,005	10,406	n/a	20,411	47,811	64,457								
	9	Sep	6,339	8,085		14,424	25,342			25,342	9,224	9,145		18,369	43,711	58,135								
	10	Oct	3,702	4,685		8,387	22,496			22,496	8,448	7,815		16,263	38,759	47,145								
	11	Nov	4,413	4,551		8,964	24,679			24,679	8,728	8,241		16,969	41,648	50,612								
	12	Dec	5,253	5,267		10,519	27,671			27,671	9,747	9,473		19,220	46,891	57,410								
	2005	1	Jan	4,654	5,071		9,725	27,737			27,737	10,078	9,446		19,524	47,261	56,986							
		2	Feb	4,166	4,546		8,712	27,623			27,623	8,348	7,884		16,232	43,856	52,567							
Average monthly non-coincident peak load (MW)		13,770					19,274					21,204			18,100			21,052		58,570		61,530		
Variance from BLTP (MW)												5,497						-2,952					-2,960	

Grimsby - Peninsula West - Niagara West MTS BLTP Calculation year #2 Mar 05 - Feb 06																			
YEAR	MONTH	Non Coincident Peak (MW)										Pen West BLTP Guarantee							
		Grimsby Hydro BLTP Guarantee					Beamsville TS					Vineland DS			Pen West Total			Pen West + Grimsby	
		M3 H1 Bill	M4 H1 Bill	H1 aggregate Bill	Total	IESO billed	H1 aggregate Bill	Total	BLTP Guarantee (MW)			#1 H1 Bill	#2 H1 Bill	H1 aggregate Bill	Total	Pen West Total	Beamsville+ Vineland DS	BLTP Guarantee (MW)	
2005	3 Mar	3,970	4,596	n/a	8,567	24,729	n/a	24,729	BLTP Guarantee (MW)			8,745	8,020	n/a	16,765	41,494	50,060	BLTP Guarantee (MW)	
	4 Apr	4,043	3,863	7,706	7,706	22,636	n/a	22,636	BLTP Guarantee (MW)			7,942	7,004	n/a	14,946	37,582	45,288	BLTP Guarantee (MW)	
	5 May			6,807	6,807	22,459	n/a	22,459	BLTP Guarantee (MW)					18,435	18,435	40,894	47,701	BLTP Guarantee (MW)	
	6 Jun			13,386	13,386	31,304	n/a	31,304	BLTP Guarantee (MW)					21,725	21,725	53,029	66,415	BLTP Guarantee (MW)	
	7 Jul			13,256	13,256	32,653	n/a	32,653	BLTP Guarantee (MW)					22,889	22,889	55,542	68,786	BLTP Guarantee (MW)	
	8 Aug			13,278	13,278	32,176	n/a	32,176	BLTP Guarantee (MW)					22,420	22,420	54,596	67,874	BLTP Guarantee (MW)	
	9 Sep			11,224	11,224	9,893	17,997	27,890	BLTP Guarantee (MW)					19,681	19,681	47,571	58,795	BLTP Guarantee (MW)	
	10 Oct			8,335	8,335	7,513	16,510	24,023	BLTP Guarantee (MW)					15,591	15,591	39,614	47,949	BLTP Guarantee (MW)	
2006	11 Nov			8,571	8,571	8,165	17,840	26,005	BLTP Guarantee (MW)					18,439	18,439	44,444	53,015	BLTP Guarantee (MW)	
	12 Dec			12,573	12,573	10,448	21,578	32,026	BLTP Guarantee (MW)					18,339	18,339	50,365	62,938	BLTP Guarantee (MW)	
	1 Jan			8,564	8,564	7,515	19,594	27,109	BLTP Guarantee (MW)					16,623	16,623	43,732	52,296	BLTP Guarantee (MW)	
	2 Feb			8,560	8,560	7,344	18,368	25,712	BLTP Guarantee (MW)					16,250	16,250	41,962	50,522	BLTP Guarantee (MW)	
									BLTP Guarantee (MW)									BLTP Guarantee (MW)	
Average monthly non-coincident peak load (MW)		10,069				19,274				21,204				18,509				61,530	
Variance from BLTP (MW)		-9,205				6,189				-2,543				-5,559					

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