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June 22, 2011

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
PO Box 2319, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Capital Power GP Holdings Inc.;
Board File No.: EB-2011-0027

As you know we have been retained by Capital Power GP Holdings Inc. as general partner of Capital Power L.P. ("Capital Power") to act as their counsel with respect to the above referenced Board File Number.

In accordance with the Ontario Energy Board's Procedural Order No. 6, enclosed you will find submissions made on behalf of Capital Power as Intervenor with respect to the above referenced matter.

Yours very truly,

A handwritten signature in black ink that reads "H.T. Newland." followed by a period.

HTN/ko

Encls.

cc: Kristyn Annis
McCarthy Tétrault LLP

All Intervenors
Nabih Mikhail
Kristi Sebalj
Boris de Jonge
Anthony Zlahtic

IN THE MATTER OF the *Ontario Energy Act 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Summerhaven Wind LP for an Order granting leave to construct a new transmission line and associated facilities for the Summerhaven Wind Energy Centre

SUBMISSIONS OF CAPITAL POWER GP HOLDINGS INC.

on behalf of

CAPITAL POWER GP HOLDINGS INC.,

as General Partner of Capital Power L.P.

1. Overview

The Independent Electricity System Operator (“**IESO**”) recommendation to construct a common connection facility to be shared by the proposed Port Dover and Nanticoke Wind Project (“**PDNW**” or “**Project**”) and proposed Summerhaven Wind Energy Centre (“**Summerhaven**”), as set out in its System Impact Assessment (“**SIA**”), adversely affects the Project’s development schedule and will create unreasonable delays. As a result, a common connection facility should not be ordered by the Ontario Energy Board (“**OEB**”).

PDNW has already passed several milestones with respect to provincial environmental approvals and has entered into agreements with the Ontario Power Authority (“**OPA**”) and suppliers under which they have assumed obligations contingent on the existing planned completion date of the Project. PDNW will suffer irreversible adverse impacts if it is now required at this late date, to change the location of its planned connection facility. In short, the completion of the Project will be at significant risk.

2. Introduction

Capital Power GP Holdings Inc., in its capacity as general partner of Capital Power L.P. (“**Capital Power**”), is developing the proposed 104.4 MW Project in Norfolk and Haldimand Counties – proximate to the proposed Summerhaven project. PDNW was awarded a FIT Contract by the OPA under the Feed-in-Tariff Program and is expected to commence commercial operation in October 2012. The Project will connect to the transmission system of Hydro One Networks Inc. (“**Hydro One**”) on its 230 kV circuit N2M, at or near the intersection with Concession Road 5, approximately 7 km north of Hydro One’s

Nanticoke Transmission Station. A schematic that illustrates the location of the Project's proposed connection point, relative to that of Summerhaven, is included as Attachment 1.

3. Project Description

The Project will comprise 58 Vestas model V90-1.8 MW wind turbine generators; an approximately 53 km, 34.5 kilovolt ("**kV**") underground (mostly) electrical power line collector system; fibre optic data lines from each turbine; an electrical substation, operation and maintenance building; a meteorological tower(s) and associated underground power and data cabling; turbine access roads; and culvert installation(s). The collector system will convey the electricity generated from each turbine, approximately 53 km in total length, to the substation to be located adjacent to Hydro One's switching station (or Sectionalizing Station) next to its existing N2M circuit 230 kV transmission line. A detailed Project development timeline is set out below.

4. Project Timetable

Table 1 below outlines the key development milestones that have been met and are pending in order to meet the targeted Commercial Operation Date ("**COD**") of October 31, 2012. The critical milestone for the Project is the receipt of the Renewable Energy Approval ("**REA**") from the Ministry of the Environment ("**MOE**"). The REA is a prerequisite for obtaining a Notice to Proceed ("**NTP**") from the OPA under the FIT Contract and the commencement of construction of Hydro One's connection facilities for the delivery of backfeed power in June 2012 (required in order to commission the wind turbines as they are erected). In order for these necessary steps to occur in sequence and in time to meet the COD of October 31, 2012, the Project must receive the REA no later than November 2011.

A REA requires the preparation of a Natural Heritage Report and Environmental Impact Assessment (the "**NHA**"). In-depth assessments of the flora and fauna are required in order to determine the presence or absence of populations that may be put at risk as a result of the construction of a project. These in-depth studies can span a year and the "windows" when certain studies can be carried out (i.e., amphibian surveys) are prescriptive. If a study window is missed, there is significant risk that the Ontario Ministry of Natural Resources ("**MNR**") will reject the study findings, requiring proponents to wait for the study window to reopen the following year.

In developing the REA for PDNW, Capital Power initiated consultations with the MNR in November 2009 in order to develop a work plan. In accordance with MNR requirements, Capital Power arranged for the completion of the requisite environmental studies in 2009 and 2010. Terrestrial studies were completed by late summer of 2010 and all work was completed by the early fall of 2010 with investigations completed in the late summer/early fall of 2010.

The NHA was completed and provided to the MNR in early October 2010. The MNR provided initial comments on the report in January 2011 and provided the confirmation letter in March 2011. The REA was submitted to the MOE and accepted on April 4, 2011.

Table 1: Project Timetable

ITEM	DATE
FIT Application submitted	November 27, 2009
Option to Purchase executed for approximately 20 acres for the purpose of substation and Hydro One's connection facilities	November 27, 2011
REA preparation: <ul style="list-style-type: none"> ● Seasonal bird studies ● Scope of environmental study determined ● First Open House ● Seasonal amphibian studies ● Submission of NHA ● Second Open House 	- March 2009 to June 2010 - November 2009 - December 2009 - March 2010 to June 2010 - October 8, 2010 - January 31 and February 1, 2011
FIT Contract executed	May 17, 2010 (effective date May 3, 2010)
Milestone Date for Commercial Operation	March 10, 2013
Turbine Supply Agreement executed with Vestas <ul style="list-style-type: none"> ● 20 percent of the contract value has been paid to date 	May 14, 2010
SIA Agreement executed	June 4, 2010
common connection issue raised by Hydro One	September 2, 2010
Joint Hydro One, IESO, NextEra and Capital Power meetings	- September 2, 2010 - September 27, 2010 - October 5, 2010
IESO issues SIA recommending common connection facility for Port Dover Nanticoke and Summerhaven Wind Farms	November 15, 2011
Hydro One issues Customer Impact Assessment ("CIA") for Project	November 16, 2011
Pre-Connection Cost Recovery Agreement between Capital Power and Hydro One. <ul style="list-style-type: none"> ● \$0.5 million payment for preliminary engineering work plus a letter of credit in the amount of \$6.9 million (plus HST) to cover the cost of design work and long lead time materials and equipment ● Pre-CCRA was entered into in order to enable Hydro One to commit to long lead-time materials in order to preserve the Project's targeted backfeed power date of June 19, 2010 	March 21, 2011
REA application accepted by the MOE	April 4, 2011
Engineering and Procurement ("EPC") Contract <ul style="list-style-type: none"> ● Limited Notice to Proceed has been issued to the EPC Contractor for detailed engineering design work requiring significant non-refundable payments 	July 2011

Table 1, continued

ITEM	DATE
Connection Cost Recovery Agreement (“CCRA”) executed <ul style="list-style-type: none"> CCRA will supersede the Pre-CCRA and require a letter of credit in an amount up to \$20 million (plus HST) 	July, 2011
REA and NTP (under the FIT Contract)	November 2011
Commencement of construction	Fall 2011
Backfeed power date from Hydro One	June 19, 2012
Targeted 1st turbine delivery	June 5, 2012 (week of)
COD	October 31, 2012

5. **Implications of Changing Connection Point**

(a) Project Schedule Implications

In order to accommodate a single combined PDNW/Summerhaven connection point at a location other than at the Project’s proposed point of connection, Capital Power would need to: 1) acquire additional land rights for a new transmission line connecting its substation to the new connection point; 2) expand the scope of its REA study area accordingly; and then 3) commence the field studies that would be required to support an amendment to the REA. Moreover, Capital Power would need to obtain a leave to construct from the OEB if the required transmission line were greater than 2 km. A change in PDNW’s connection point, whether initiated in the fall of 2010 (when Hydro One first raised the issue) or now, would mean that the Project would meet neither its COD (October 31, 2012) nor its Milestone COD under the FIT Contract (March 10, 2013).

i) New Connection Point – Decided Fall 2010

The REA process in respect of the new transmission line connecting PDNW’s substation to a new connection point could not be commenced until Hydro One advises of the location of the new connection point. If PDNW had received this advice in the fall of 2010, under the most optimistic scenario, additional land rights could have been secured, a new study area defined and studies commenced by the spring of 2011 and concluded by late summer 2011. Given the review and approval timelines for REA-related documents, this likely would have resulted in the submission of a supplemental NHA to MNR in October 2011, followed by consultation with municipalities and the public in early 2012 and submission of the REA to the MOE in March 2012 and posting on the Environmental Bill of Rights Registry in May 2012. Given this timing, Capital Power would not receive its REA until October or November of 2012. An NTP Request under the FIT Contract would be submitted immediately upon obtaining the REA and would issue shortly thereafter. All of this would result in a delay of the commencement of construction until the fall of 2012 and, in turn, a delay in COD to October 2013.

ii) New Connection Point – Decided Now

Given the limited windows for conducting the studies described above, a decision, at this time, to change the PDNW connection point would mean that field work could not begin until the spring of 2012 and would not be completed until late summer 2012. This, in turn, would mean that: 1) a supplemental

NHA would be submitted in the October 2012 timeframe; 2) consultation with municipalities and the public would occur in early 2013; and 3) the REA amendment would be submitted to the MOE in March 2013. Under this scenario, Capital Power would not receive its REA until October or November of 2013. An NTP Request would be submitted and an NTP would issue shortly thereafter. All of this would delay the commencement of construction to the fall of 2013 and COD to October 2014.

If the transmission line connecting PDNW's substation (Figure 1) and the new connection point is greater than 2 km, Capital Power will have to obtain leave to construct from the OEB. Although, this process can run in parallel with the REA process, an application to the OEB cannot be filed before the issuance of a new SIA and CIA by the IESO and Hydro One, respectively. If a leave to construct application is filed prior to receiving these documents, the OEB may consider the application to be premature.

(b) Contractual and Economic Implications

Any change in the location of the point of interconnection between the Project and Hydro One's N2M circuit will adversely affect the ability of Capital Power to meet its COD of October 31, 2012 and, perhaps more importantly, the Milestone COD of March 2013 under its FIT Contract. The FIT Contract stipulates that a completed NTP Request must be made no later than six months prior to the Milestone COD i.e., by September 2012. Under the two scenarios described above, the NTP Request would not be submitted until September/October 2012 or 2013, respectively. In the event that the OPA did not accept that the NTP Request delay was a result of an event of *force majeure*, Capital Power would be in default under the FIT Contract and the OPA would be entitled to terminate the Contract and retain the FIT application initial security deposit of (approximately \$2 million). Moreover, the FIT Contract provides for significant liquidated damages in the event that the Milestone COD of March 2013 is not met.

Under its Turbine Supply Agreement ("**TSA**") with Vestas, Capital Power must obtain a NTP from the OPA by November 15, 2011, subject to the ability to extend this deadline by one year. If a NTP is not obtained by November 2012 at the very latest, Vestas has the right to terminate the agreement and retain a portion of Capital Power's deposit.

6. **Conclusion**

Hydro One, in its response to the IESO's interrogatory, estimated the incremental cost of two stations at two different connection points, relative to the cost of one station at a common connection point, to be \$10 million. This amount is less than the sum of Capital Power's liability for only the securities posted in connection with the Pre-Connection Cost Recovery Agreement and the CCRA, not to mention its liability for liquidated damages under the TSA and penalties and loss of application security (if the contract is terminated) under its FIT Contract, in the event that PDNW does not meet its Milestone COD.

Accordingly, if the OEB orders the construction of a common connection facility to be shared by PDNW and Summerhaven, the completion of the Project will be jeopardized and Capital Power will suffer unreasonable prejudice which otherwise could have been avoided.

Figure 1

