



October 19, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Canadian Niagara Power Inc. Notice of Proposal Pursuant to Section 81 of the OEB Act

On October 18, 2011, counsel for Port Colborne Hydro Inc. and for the City of Port Colborne submitted a Section 81 MAADs Application – Sale of Distribution Assets to Canadian Niagara Power Inc. Concurrent with that Application, Canadian Niagara Power Inc. (“CNPI”) is hereby submitting a Notice of Proposal Pursuant to Section 81 of the *Ontario Energy Board Act, 1998*.

FortisOntario, an affiliate of CNPI, is an electricity generator (EG-2003-0107) licenced to generate electricity from its Cornwall District Heating Generating Station in Cornwall, Ontario. Fortis Properties Corporation, also an affiliate of CNPI, is an electricity generator (EG-2003-0106) with six hydroelectric generating stations. Because CNPI is an affiliate of FortisOntario and Fortis Properties Corporation, and wishes to acquire distribution assets from Port Colborne Hydro Inc., it is providing this Notice of Proposal.

Yours truly,

Original Signed by

Douglas Bradbury
Director Regulatory Affairs

Ontario Energy Board
Preliminary Filing Requirements
For Applications under Sections 80 and 81
Of the *Ontario Energy Board Act, 1998*

PART I: GENERAL MINIMUM FILING REQUIREMENTS

Background:

On July 19, 2001, Canadian Niagara Power Inc. ("CNPI") and Port Colborne Hydro Inc. ("PCHI") entered into an agreement whereby CNPI would lease the assets of PCHI for ten years with an option to purchase and CNPI would operate the electricity distribution business within the City of Port Colborne. On April 12, 2002, the Ontario Energy Board (the "Board") issued a Decision and Order approving the lease arrangement (RP-2001-0041). The lease was implemented on April 15, 2002, to be in effect until April 15, 2012. At the end of the lease, CNPI has the option to purchase the assets included in the lease and assume complete ownership and operation of the distribution system. CNPI has advised PCHI that it wishes to exercise its option to purchase the assets included in the lease. A section 86 MAAD application regarding this transaction will be filed by PCHI.

FortisOntario, an affiliate of CNPI, is an electricity generator (EG-2003-0107) licenced to generate electricity from its Cornwall District Heating Generating Station in Cornwall, Ontario. Fortis Properties Corporation, also an affiliate of CNPI, is an electricity generator (EG-2003-0106) with six hydroelectric generating stations. Because CNPI is an affiliate of FortisOntario and Fortis Properties Corporation, and wishes to acquire distribution assets from PCHI, it is providing this Notice of Proposal pursuant to section 81 of the *Ontario Energy Board Act, 1998*.

1.1 Identification of the Parties

1.1.1 Applicant

Name of Applicant	File No: (Board Use Only)	
Canadian Niagara Power Inc. ("CNPI")		
Address of Head Office 1130 Bertie Street PO Box 1218 Fort Erie, ON L2A 5Y2	Telephone Number (905) 871-0330	
	Facsimile Number (905) 871-8676	
	E-mail Address	
Name of Individual to Contact Douglas Bradbury Director, Regulatory Affairs	Telephone Number (905) 994-3634	
	Facsimile Number (905) 994-2207	
	E-mail Address doug.bradbury@cnpower.com	

1.1.2 Other Parties to the Transaction or Project

The other parties to the transaction are PCHI and The Corporation of the City of Port Colborne.

1.2 Relationship between Parties to the Transaction or Project

1.2.1	<p>Attach a list of the officers, directors and shareholders of each of the parties to the proposed transaction or project.</p> <p>Canadian Niagara Power Inc. ("CNPI"):</p> <p><u>Directors</u> William J. Daley (Chair) John Walsh Glen King</p> <p><u>Officers</u> William J. Daley (President and Chief Executive Officer) Glen King (Vice President, Finance and Chief Financial Officer) Angus S. Orford (Vice President, Operations) R. Scott Hawkes (Vice President, Corporate Services, General Counsel & Corporate Secretary)</p> <p><u>Shareholder</u> FortisOntario Inc.</p> <p>Port Colborne Hydro Inc. ("PCHI")</p> <p><u>Directors</u> Len Hunt (Chair) Bea Kenny (Vice Chair) Vance Badawey (Mayor) Bill Steele Dan O'Hara</p> <p><u>Shareholder</u> The Corporation of the City of Port Colborne</p>	
1.2.2	<p>Attach a corporate chart describing the relationship between each of the parties to the proposed transaction or project and each of their respective affiliates.</p> <p>A corporate organization chart for CNPI is attached at Appendix 'A'. A corporate organization chart for PCHI is attached at Appendix 'B'.</p>	

1.3 Description of the Businesses of Each of the Parties

1.3.1	<p>Attach a description of the business of each of the parties to the proposed transaction or project, including each of their affiliates licenced under the OEB Act to operate in Ontario for the generation, transmission, distribution, wholesaling or retailing of electricity or providing goods and services to companies licenced under the OEB Act in Ontario (“Electricity Sector Affiliates”).</p> <p>CNPI:</p> <p>CNPI is licenced as an electricity transmission company by the Board. CNPI’s transmission system is interconnected with Hydro One Networks Inc. in Niagara Falls, Ontario and provides service in and around the area of Fort Erie, Ontario. The transmission system is also interconnected, through an emergency tie line, with the transmission system owned and operated by US National Grid in New York State.</p> <p>With respect to its distribution business, CNPI also owns the electricity distribution systems for the service areas of Fort Erie and Gananoque. The electricity distribution system for the service area of Port Colborne is leased by CNPI from Port Colborne Hydro Inc., a wholly-owned subsidiary of the Corporation of the City of Port Colborne. CNPI-Gananoque serves over 3,000 customers, CNPI-Fort Erie serves over 15,000 customers, and CNPI-Port Colborne serves over 9,000 customers.</p> <p>PCHI:</p> <p>On January 31, 2000 the City of Port Colborne passed a transfer by-law that transferred the employees, assets, liabilities, rights and obligations of the Port Colborne Hydro Electric Commission (“Port Colborne HEC”) to Port Colborne Hydro Inc. (“PC Hydro”), effective March 1, 2000. PC Hydro was incorporated under the Business Corporations Act (Ontario) (“OBCA”) in accordance with section 142 of the Electricity Act, 1998, as the corporate successor to the Port Colborne HEC. PCHI owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy within its service territory, as specified in Distribution Licence ED-2003-0042. PCHI owns property rights for the purposes of operating and maintaining the distribution facilities.</p> <p>Effective January 13, 2003, the City’s shares in PC Hydro were transferred to Port Colborne Energy Inc., the sole shareholder of PCHI as of the date of this application. Port Colborne Energy Inc. is wholly-owned by the City of Port Colborne.</p>	
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FortisOntario Inc. (“FortisOntario”):

FortisOntario, which is headquartered in Fort Erie, Ontario, owns and operates generation, transmission and distribution businesses in the province of Ontario. Founded in 1892, FortisOntario began generating electricity in 1905 from its Rankine Generating Station located on the Canadian side of the Niagara River, and subsequently began distributing electricity to the Town of Fort Erie in 1907. Most of FortisOntario’s generation assets have been transferred to Fortis Properties Corporation (“FPC”). The exception to this is a 5.5 MW cogeneration district heating plant located in Cornwall, Ontario. This facility is an embedded generator selling district heating to local customers, and electricity to Cornwall Street Railway, Light and Power Company Limited (“Cornwall Electric”). FortisOntario’s electricity transmission and distribution businesses are carried on through three subsidiaries – Cornwall Electric, Algoma Power Inc. (“API”) and CNPI.

FortisOntario also holds a ten percent (10%) interest in Westario Power Inc. (a 21,000 customer electricity distributor located in mid-western Ontario), Rideau St. Lawrence Holdings Inc. (a 6,000 customer electricity distributor located in southeastern Ontario), and Grimsby Power Inc. (a 10,000 customer electricity distributor located in the Niagara region of Ontario).

Fortis Properties Corporation (“FPC”):

FPC owns and operates six hydroelectric generating stations: five located on the Rideau Canal system in eastern Ontario with combined capacity of 5.6 MW (embedded generators for CNPI), and a 2 MW hydroelectric generating station located at Rideau Falls in Ottawa. These stations are licensed by the OEB.

Fortis Inc.:

FortisOntario is the Ontario-based subsidiary of Fortis Inc., which is the largest investor-owned distribution utility in Canada. With total assets exceeding \$12 billion and annual revenues exceeding \$3.9 billion, Fortis Inc. serves almost 2,000,000 gas and electricity consumers. Its regulated holdings include a natural gas distribution utility in British Columbia, and electric distribution utilities in five Canadian provinces and two Caribbean countries. Fortis Inc. owns non-regulated hydroelectric generation assets in Newfoundland and Labrador, Ontario, British Columbia, Belize and New York State. Fortis Inc. is a publicly-traded company listed on the TSX (Ticker Symbol: FTS).

Cornwall Electric: FortisOntario also owns Cornwall Electric, which serves over 23,000 electricity distribution customers in Cornwall, Ontario. Cornwall Electric is not connected to the IESO-controlled grid.

Algoma Power Inc.: FortisOntario also owns API which serves over 11,000 customers in a vast geographic territory of more than 14,200

	<p>square kilometres in a remote area of Northern Ontario, north and east of the City of Sault Ste. Marie.</p>	
<p>1.3.2</p>	<p>Attach a description of the geographic territory served by each of the parties to the proposed transaction or project, including each of their Electricity Sector Affiliates, if applicable, and the geographic location of all existing generation facilities.</p> <p>CNPI:</p> <p>CNPI is a licenced transmitter. Its transmission facilities are interconnected with Hydro One Networks Inc. in Niagara Falls, Ontario and provide transmission service in and around Fort Erie, Ontario. CNPI's transmission system is also interconnected with US National Grid in New York State. This is more specifically described in its Electricity Transmission Licence (ET-2003-0073).</p> <p>CNPI is also a licenced distributor providing electricity distribution service to the Town of Fort Erie, the City of Port Colborne and the Town of Gananoque. The specific service areas are set out in CNPI's Electricity Distribution Licence (ED-2002-0572).</p> <p>FortisOntario:</p> <p>FortisOntario does not directly serve electricity customers.</p> <p>Cornwall Electric:</p> <p>Cornwall Electric is a licenced distributor providing electricity distribution service to the City of Cornwall. The specific service area is set out in Cornwall Electric's Electricity Distribution Licence (ED-2004-0405).</p> <p>Algoma Power Inc.:</p> <p>API serves a vast geographic territory of more than 14,200 square kilometres in a remote area of Northern Ontario, north and east of the City of Sault Ste. Marie. The specific service area is set out in API's Electricity Distribution Licence ED-2009-0072.</p>	
<p>1.3.3</p>	<p>Attach a breakdown of the annual sales (in C\$, and in MWh) as of the most recent fiscal year end of the existing generation output among the IESO Administered Markets ("IAM"), bilateral contracts, and local distribution companies.</p> <p>Energy sales from FPC to the IESO Administered Market for 2010 were as follows:</p>	

	<ul style="list-style-type: none">• 26,680 MWh• \$1,524,947 <p>Energy sales from FortisOntario to Cornwall Electric (Cornwall District Heating) for 2010:</p> <ul style="list-style-type: none">• 951.2 MWh• \$78,674 <p>Cornwall District Heating, which is owned by FortisOntario, is not connected to the IESO-Controlled Grid and therefore its production does not contribute to the Ontario Primary Demand.</p>	
1.3.4	<p>Attach a list identifying all relevant Board licences and approvals held by the parties to the proposed transaction or project and each of their Electricity Sector Affiliates, and any applications currently before the Board, or forthcoming. Please include all Board file numbers.</p> <p><u>Board Licences and Approvals Held :</u></p> <ul style="list-style-type: none">• CNPI: ED-2002-0572; ET-2003-0073• Cornwall Electric: ED-2004-0405• API: ED-2009-0072• FortisOntario: EG-2003-0107• FPC: EG-2003-0106• PCHI: ED-2003-0042 <p><u>Current Applications:</u></p> <p>PCHI will file a section 86 MAAD application regarding the proposed transaction.</p>	

1.4 Current Competitive Characteristics of the Market

1.4.1	<p>Describe the generation capacity (in MW), within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, prior to the completion of the proposed transaction or project.</p> <p>FortisOntario Cornwall District Heating has a capacity of 5.5 MW.</p> <p>FPC FPC owns six small hydro plants in eastern Ontario. These plants have a combined capacity of 7.6 MW. Specifically, FPC owns the following hydro electric facilities in Ontario: Jones Falls (near Elgin, Ontario); Brewers Mills (near Seeley’s Bay, Ontario); Kingston Mills (Kingston Mills, Ontario); Washburn (also near Seeley’s Bay, Ontario); Gananoque (Gananoque, Ontario); and Rideau Falls (New Edinburgh, Ontario).</p> <p>There are no other generating facilities associated with FortisOntario in Ontario.</p>	
1.4.2	<p>Describe the generation market share based on actual MWh production as a percent of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, prior to completion of the proposed transaction or project.</p> <p>FortisOntario</p> <p>In its 2011-2013 Business Plan, the IESO estimated projected generation energy volume in 2010 to be 151.3 (TWh). The 26,680 MWh per year that FPC’s generation facilities produce represents a fraction of provincial generation capacity. As noted above, Cornwall District Heating is not connected to the IESO-Controlled Grid and therefore its production does not contribute to the Ontario Primary Demand.</p>	

1.5 Description of the Proposed Transaction or Project and Impact on Competition - General

1.5.1	<p>Attach a detailed description of the proposed transaction or project, including geographic locations of proposed new transmission or distribution systems, or new generation facilities.</p> <p>Please refer to the MAAD application filed by PCHI.</p>	
1.5.2	<p>Describe the generation capacity (in MW), within the Province of Ontario, of the parties to the proposed transaction or project,</p>	

	<p>including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project.</p> <p>The proposed project will not modify the generation capacity of CNPI or its affiliates.</p>	
1.5.3	<p>Describe the generation market share based on anticipated MWh production as a percentage of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project.</p> <p>The proposed project will not modify the generation market share of CNPI or its affiliates.</p>	
1.5.4	<p>Attach a short description of the impact, if any, of the proposed transaction or project on competition. If there will be no impact on competition, please state the reasons. Cite specifically the impacts of the proposal on customer choice regarding generation, energy wholesalers, and energy retailers.</p> <p>The proposed project will have no impact on competition. Electricity distribution in Ontario is not a competitive industry.</p>	
1.5.5	<p>Provide confirmation that the proposed transaction or project will have no impact on open access to the transmission or distribution system of the parties or their affiliates. If open access will be affected explain how and why.</p> <p>The proposed project will have no impact on open access to the transmission or distribution systems of CNPI and its affiliates. None of the generation facilities owned or operated by CNPI affiliates will physically connect to the distribution system in Port Colborne.</p>	

1.6 Other Information

1.6.1	<p>Attach confirmation that the parties to the proposed transaction or project are in compliance with all licence and code requirements, and will continue to be in compliance after completion of the proposed transaction or project.</p> <p>The parties to the proposed project confirm that, to the best of their knowledge, they are in compliance with all licence and applicable code requirements and will continue to be in compliance after the completion of the proposed transaction.</p>	
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Part II: SECTION 80 OF THE ACT—TRANSMITTERS AND DISTRIBUTORS ACQUIRING AN INTEREST IN GENERATORS OR CONSTRUCTING A GENERATION FACILITY

All applicants filing a Notice of Proposal under section 80 of the Act must complete and file the information requested in Part II.

Not Applicable - CNPI's Notice of Proposal is made pursuant to section 81 of the *Ontario Energy Board Act, 1998*.

PART III: SECTION 81 OF THE ACT— GENERATORS ACQUIRING AN INTEREST IN OR CONSTRUCTING A TRANSMISSION OR DISTRIBUTION SYSTEM

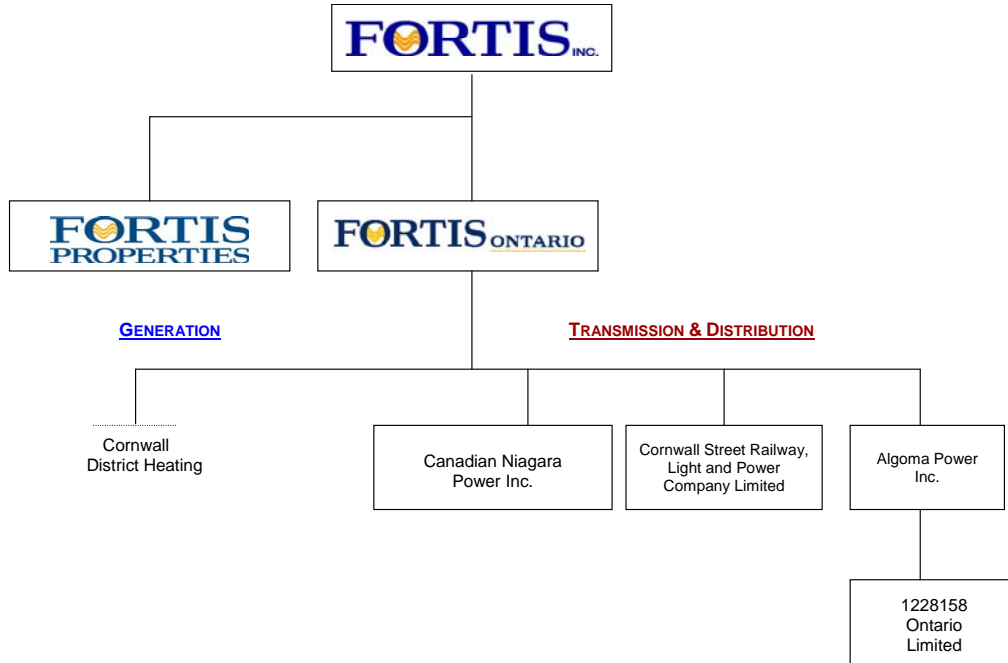
All applicants filing a Notice of Proposal under section 81 of the Act must complete and file the information requested in Part III.

3.1 Effect on Competition

3.1.1	Provide a description of the transmission or distribution system being acquired or constructed. Please refer to the MAAD application filed by PCHI.	
3.1.2	Provide details on whether the generation facilities owned by the acquiring company are or will be directly connected to the transmission or distribution system being acquired or constructed. The generation facilities owned by the affiliates of CNPI will not be directly connected to the distribution facilities being acquired.	
3.1.3	Provide details of whether the generation facility is expected to serve a “load pocket”, or is likely to be “constrained on” due to transmission constraints. Not applicable.	
3.1.4	Provide details on whether the generation facilities are expected to sign a “must run” contract with the IESO. Not applicable.	

APPENDIX A

CNPI CORPORATE CHART



APPENDIX B

PCHI CORPORATE CHART

Organization Chart, Illustration

