

**NOTICE OF HEARING**  
**ONTARIO POWER GENERATION INC.**  
**RELIABILITY MUST-RUN CONTRACT FOR THE LENNOX**  
**GENERATING STATION**

Ontario Power Generation (“OPG”) filed an application on August 23, 2006 with the Ontario Energy Board seeking approval of the second reliability must-run contract (“RMR Contract”) entered into with the Independent Electricity System Operator (“IESO”) in relation to OPG’s Lennox generating station (“Lennox”). The Application was made under section 5 of OPG’s generation licence, which requires that any reliability must-run contract be approved by the Board prior to its implementation. The Board has assigned File Number EB-2006-0205 to the Application.

Lennox is a 2,140 MW dual-fuelled (oil- and natural gas-fired) generating station located near Kingston, Ontario. On July 15, 2005, OPG submitted to the IESO a “Notice of Request to De-register” Lennox. On August 4, 2005, the IESO denied OPG’s request on the grounds that removal of Lennox will or is likely to have an unacceptable impact on the reliability of the IESO-controlled grid. The IESO and OPG signed a reliability must-run contract in September, 2005. OPG made application seeking Board approval of this reliability must-run contract in September 2005 and the Board approved the contract in its Decision in EB-2005-0490 issued on March 15, 2006.

On March 29, 2006, OPG sent a letter to the IESO indicating its willingness to enter into a subsequent reliability must-run contract effective October 1, 2006 if the IESO determined that such an agreement is necessary to support the continued reliability of the IESO-controlled grid or, in the alternative, seeking IESO permission to de-register Lennox. On May 19, 2006, the IESO responded and indicated that continued operation

of Lennox was necessary to prevent undue risk to the IESO-controlled grid and that it would enter into negotiations for a second reliability must-run contract. The second RMR contract was executed by the IESO on July 31, 2006 and by OPG on August 14, 2006.

Subject to Board approval, the RMR Contract comes into effect as of October 1, 2006. Key provisions of the RMR Contract include: a term of 1 year without renewal or extension; payments to OPG of an estimated \$61.7 million over the contract term (comprised of OPG's fixed and variable costs for Lennox, a "margin amount" of \$1.40 million, and additional revenues equivalent to 5% of the gross revenues earned by or attributed to Lennox in the IESO-administered markets); and an obligation on OPG to offer into the IESO-administered markets the maximum amount of energy and operating reserve from Lennox in a commercially reasonable manner and in accordance with contractually stated performance standards.

In accordance with the Market Rules, the total net cost of the RMR Contract would be recovered by the IESO from wholesale market participants as part of the monthly non-hourly uplift.

OPG has requested that the Application be disposed of without a hearing on the grounds that the Board has recently reviewed and approved the existing RMR Agreement and there has been essentially no change in the agreement. Notice of Application was published on October 9 and 10, 2006. One party, the Electricity Marketing Investment Group filed a submission. The Board has decided to consider the Application by way of a written hearing.

**How to see OPG's Pre-filed Evidence**

A copy of the Application is available for public inspection at the Board's office, and at OPG's offices (addresses below). The Application is also accessible on OPG's website at [www.ontariopowergeneration.com](http://www.ontariopowergeneration.com) .

**How to Participate**

You may participate in this proceeding in one of three ways:

You may send the Board a letter of comment. Your letter should include any request to make an oral presentation to the Board, and must be received by the Board no later than December 1, 2006.

You may request observer status in order to receive documents issued by the Board in the proceeding. Your request must be made by letter received by the Board no later than November 22, 2006.

You may request intervenor status if you wish to actively participate in the proceeding. Your request must be made by letter of intervention received no later than November 22, 2006. Your letter of intervention must include a description of how you are, or may be, affected by the proceeding; and if you represent a group, a description of the group and its membership. The Board may order costs in this proceeding. You must indicate in your letter of intervention whether you expect to seek costs from the applicant and the grounds for your eligibility for costs. You must provide a copy of your letter of intervention to the applicant.

### **Need More Information?**

Further information on how to participate may be obtained by visiting the Board's Web site at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) or by calling our Consumer Relations Centre at 1-877-632-2727.

### **How to Contact Us**

In responding to this notice please reference Board file number EB-2006-0205. It is also important that you provide your name, postal address and telephone number and, if available, an e-mail address and fax number. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

For your convenience, the Board accepts letters of comment by either post or e-mail. Our e-mail address is [Boardsec@oeb.gov.on.ca](mailto:Boardsec@oeb.gov.on.ca) Please include the application file reference number in the subject line of your e-mail.

Letters of intervention must be sent to the Board by regular mail to the address below. Please remember that you must send a copy of your request for intervention to the applicant at the address listed below.

### **IMPORTANT**

**IF YOU DO NOT REQUEST TO PARTICIPATE IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE OF THESE PROCEEDINGS.**

**Addresses**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 26th Floor  
Toronto, ON  
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Attention: Ms. E. Kirsten Walli  
Board Secretary

Tel: 1-888-632-6273 (toll free)  
Fax: 416-440-7656

Mr. Andrew Barrett  
Vice President  
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Tel: 416-592-4463  
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DATED at Toronto, November 13, 2006

ONTARIO ENERGY BOARD

*Original Signed By*

Peter H. O'Dell  
Assistant Board Secretary