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February 2, 2015

VIA EMAIL

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

Dear Ms. Walli:

**Re: Ontario Power Generation ("OPG")
Section 92 Application for Leave to Construct Transmission Line
New Post Creek Generating Station
EB-2014-0194**

This is OPG's reply to a letter dated January 21, 2015 requesting information required to complete the record in OPG's application for an order or orders granting leave to construct a 115 kV transmission line for New Post Creek Generating Station. OPG's responses are as follows:

1. Please provide an update regarding the OPG-CRPLP agreement.

Response: The terms of the Partnership Agreement have been agreed and the Agreement is currently being routed for signatures.

2. Please advise whether the OPA (now IESO) has executed a power purchase agreement regarding the subject generation with OPG and if so, provide proof of such agreement. If a power purchase agreement has not been executed, please provide the status of the agreement as well as a copy of the Ministerial directive.

Response: Negotiations with the IESO (formerly OPA) are ongoing. Copies of the Ministerial Directives are attached.

3. Please provide the status of the SIA and CIA addendums and copies of the documents when available.

Response: The draft SIA Addendum has been received by OPG/CRP and is currently under review. Both the final SIA Addendum and final CIA addendum are expected to be issued within the next few weeks. Copies of the addendums will be provided when they become available.

Please direct any comments or questions in this matter to the undersigned.

Yours truly,



Greg Towstego

Attach

cc: Fred Cass, Aird & Berlis LLP
Carlton Mathias, OPG
Maia Chase, IESO

Ministry of Energy

Ministère de l'Énergie

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APR 24 2014

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Dear Mr. Andersen:

Re: Hydroelectric Projects

I write in my capacity as the Minister of Energy in order to exercise the statutory power of ministerial direction I have in respect of the Ontario Power Authority (OPA) under the *Electricity Act, 1998* as amended (the "Act").

Ontario recognizes that hydroelectric power continues to make a significant contribution to Ontario's diverse electricity supply mix. In *Achieving Balance: Ontario's Long-Term Energy Plan*, the target for installed hydroelectric capacity has been increased to 9,300 MW by 2025.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. Hydroelectric Standard Offer Program (HESOP) – Municipal Stream

- 1.1. The OPA shall transfer 25 MW of unallocated capacity from the HESOP Municipal Stream procurement (which had a total procurement target of up to 60 MW comprised of 10 MW as specified in the January 21, 2013 Direction and 50 MW as specified in the June 26, 2013 Direction) to the 2014 hydroelectric procurement target for the Large Renewable Procurement. For greater clarity, the hydroelectric target for the 2014 Large Renewable Procurement will be 75 MW.

2. Hydroelectric Standard Offer Program (HESOP) – Expansion Stream

- 2.1. The June 26, 2013 Direction directed the OPA to launch a standard offer program to procure hydroelectric capacity at existing facilities with potential for incremental expansion. Eligible participants were to include only Non-Utility Generation (NUG) facilities currently under contract with Ontario Electricity Financial Corporation (OEFC) and certain Hydroelectric Contract Initiative (HCI) contracted facilities currently under contract with the OPA.
- 2.2. As it is preferable that the existing facilities and their incremental expansion be managed by one party under one contract, the OPA shall enter into new contracts for the existing capacity and the incremental expansion capacity, subject to the termination of the existing contracts.
- 2.3. Where the remaining term of an existing contract is shorter than the term of a new contract, the OPA shall contract for the existing capacity for the entire term of the new contract. For the existing capacity under the new contract, the existing contract price shall apply up until the time that the term of the existing contract would have expired; thereafter, pricing for the existing capacity should be based on the HCI program.
- 2.4. For clarity, existing capacity under a NUG or HCI contract is not a part of the 40MW procurement for incremental expansion set out in the June 26, 2013 Direction.
- 2.5. The OPA shall transfer any unallocated capacity from the upcoming HESOP Expansion Stream procurement (which has a total procurement target of up to 40 MW of expansion capacity as specified in the June 26, 2013 Direction) to the 2015 hydroelectric procurement target for the LRP process.
- 2.6. Any hydroelectric capacity under the 2014 or 2015 LRP procurement targets that is not procured and any capacity resulting from termination of HESOP Municipal and Expansion Stream contracts up to and including December 31, 2015 shall be transferred to the 2016 LRP hydroelectric procurement target.

3. Aboriginal Partnership Project

- 3.1. Ontario Power Generation Inc. (OPG) and its First Nation partner, the Coral Rapids Power LP, a wholly owned company of Taykwa Tagamou Nation, has entered into

a reciprocal and partnership agreement for a proposed New Post Creek hydroelectric generating station. Further to the June 26, 2013 Direction, I wish to clarify that the OPA shall enter into negotiations for an energy supply agreement for the New Post Creek hydroelectric generating station. As applicable, the energy supply agreement shall reflect the risk structure of the Hydroelectric Energy Supply Agreements, as negotiated between the OPA and OPG, for hydroelectric power projects such as the Upper Mattagami project.

4. General

- 4.1. This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,



Bob Chiarelli
Minister

- c. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

Ministry of Energy

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JUN 26 2013

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

RE: Hydroelectric Projects

Hydroelectric power is a central pillar of the Government's renewable electricity portfolio. The Government wishes to see continued procurement of hydroelectric capacity. I anticipate that an updated target for installed hydroelectric capacity will be established through the review of the Long-Term Energy Plan.

Direction

I hereby direct the Ontario Power Authority (OPA), pursuant to my authority under sections 25.32 and 25.35 of the *Electricity Act*, 1998, to undertake the following:

Hydroelectric Project Procurement

(i) Expansion of existing hydroelectric projects

The OPA shall launch a standard offer program by September 30, 2013 to procure up to 40 MW of hydroelectric capacity at existing facilities with expansion potential for incremental capacity. This procurement process shall only include the following participants:

- Currently contracted Non-Utility Generation facilities under contract with the Ontario Electricity Financial Corporation (OEFC)
- Existing Hydroelectric Contract Initiative (HCI) contracted facilities that were not deemed by the OPA to be under negotiation with the OPA prior to the issuance of the January 21, 2013 Ministerial direction entitled "Re: Hydroelectric Projects"

The Ministry will work with the OEFC and the OPA to develop an appropriate approach to managing existing and new contracts for existing hydroelectric projects.

New contracts will be on terms that reflect a reasonable cost to Ontario electricity ratepayers and a reasonable balancing of risk and reward, taking into account the specific operating characteristics and value of the output of these types of projects.

(ii) New hydroelectric projects

The OPA shall launch a standard offer program by September 30, 2013 to procure up to 50 MW of new hydroelectric capacity.

The OPA shall include the following features and eligibility criteria in this new municipal program stream:

- Project size must be at least 5 MW
- Open only to eligible municipal waterpower projects
- Project had been the subject of one or more FIT applications submitted before June 5, 2010
- Connection availability testing should take into account the reasonably expected time for these projects to reach commercial operation, in parallel with approved transmission and distribution system upgrades currently underway
- Milestone date for commercial operation shall be eight (8) years from the Contract Date in order to reflect the realities of the projects successfully satisfying the required environmental approvals
- Projects involving provincial Crown lands shall be subject to requirements to comply with Ministry of Natural Resources' policies, procedures and regulations prior to and after contract award regarding allocation of provincial Crown lands

New contracts will be on terms that reflect a reasonable cost to Ontario electricity ratepayers and a reasonable balancing of risk and reward, taking into account the specific operating characteristics and value of the output of these types of projects.

Relationship to the January 21, 2013 Direction

The procurement of hydroelectric capacity authorized by this direction is in addition to the procurement of up to 10 MW for new build distribution-connected hydroelectric projects (greater than 500 kW and less than 5 MW) set out in the January 21, 2013 Hydroelectric Projects direction. The OPA shall also launch the procurement of hydroelectric capacity authorized in the January 21, 2013 direction by September 30, 2013.

Aboriginal Partnership Project

Ontario Power Generation Inc. (OPG) and its First Nation partner, the Taykwa Tagamou Nation, has entered into a reciprocal and partnership agreement for a proposed New Post Creek hydroelectric generating station. The OPA shall enter into negotiations commencing in summer 2013 for a power purchase agreement to procure electricity from the proposed New Post Creek hydroelectric generating station. With a capacity of approximately 25 MW, this LTEP-referenced project is being proposed by OPG and the Taykwa Tagamou Nation for construction on New Post Creek near its outlet to the Abitibi River. Any agreement resulting from these negotiations shall be on financial terms that recognize the benefits associated with Aboriginal participation in hydroelectric generation projects. The agreement shall also reflect the risk structure of the Hydro Electric Supply Agreements, as negotiated between the OPA and OPG, for hydro-electric power projects such as the Upper Mattagami project.

Ontario Power Generation (OPG) Hydroelectric Facilities Leased and Operated by Third Parties

Third parties currently leasing and operating hydroelectric generating stations owned by OPG shall be permitted to apply to the HCI program. The term of the contract should begin after the date of this direction and once a complete HCI application has been provided and determined complete by the OPA, and be for a duration coincident with the end date of any lease of the station, or the standard HCI contract, whichever occurs first.

Duty to Consult

The OPA shall require Suppliers to cooperate with the Crown in fulfilling any duty to consult First Nation and Métis communities triggered by the project, by fulfilling all delegated procedural consultation responsibilities and entering into relevant arrangements with the Crown as requested.

Existing FIT Contracts

In acknowledgement of the unique regulatory approval requirements required for waterpower FIT projects, the OPA shall offer a three (3) year extension to the Milestone Date for Commercial Operation in existing waterpower FIT contracts.

General

The procurements authorized by this direction do not constitute large FIT projects, nor should they be considered part of the development of a competitive process for procurement of large renewable energy capacity as contemplated by the June 12, 2013 direction.

This direction supplements previous directions related to the HCI, the FIT Program, the microFIT Program and FIT Support Programs and replaces provisions of these previous directions only to the extent that a particular provision of this direction is inconsistent with a provision of a previous direction.

This direction takes effect on the date issued.

Sincerely,



Bob Chiarelli
Minister of Energy