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August 20, 2008

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

Dear Ms. Walli:

**RE: Exemption Request to Allow the
Purchase of Power from Brookfield Energy Marketing Inc.
ORPC Distribution Licence #ED-2003-0033**

Please accept this letter as a request for an exemption to Section 2.2.2 of the Standard Supply Settlement Code and Section 3.2 of the Retail Settlement Code. This would require an Amendment for the Distribution Licence #ED-2003-0033 of Ottawa River Power Corporation.

The attached document provides the information in support of the application (five copies and Electronic PDF file).

If we can provide any additional information, please contact the undersigned.

Yours truly,

Douglas Fee, P.Eng.
President and CEO

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“A Proud Locally Owned Municipal Utility”

Application for a License Amendment
for Ottawa River Power Corporation
ED-2003-0033

Ottawa River Power Corporation requests an exemption from Section 3.2 of the Retail Settlement Code and Section 2.2.2 of the Standard Supply Service Code to allow the continuation of the purchase of electrical energy from Brookfield Energy Marketing Inc. (“Brookfield Energy”) to supply customers in the Pembroke area of the Ottawa River Power Corporation Service Area.

1. Overview

Ottawa River Power Corporation (ORPC) and its predecessor companies have obtained power from the Waltham Generating Station since 1904 to supply the load in the City of Pembroke. Before renewing and updating the 2002 contract with Brookfield Power, ORPC sought clarification from the Ontario Energy Board. In June 2007, OPRC was then ordered to disconnect from the Waltham supply for the following reasons:

Part of Section 3.2 of the Retail Settlement Code, as follows:

A distributor shall enter into an agreement to purchase energy from an embedded retail generator **within its service area**, where such generator has indicated that it intends to generate electricity for sale directly to such distributor and that it has obtained such licences from the Board for generating and wholesaling electricity as are required. The contract shall specify that the generator must meet the technical and metering requirements set out in the Distribution System Code. The price under the agreement at which all energy sales shall be **settled will be the competitive electricity price as described in Appendix “A” to the Code.**

Further part of section 2.2.2 of the Standard Supply Code states:

A distributor shall obtain the electricity required to fulfill its standard supply service obligation through the IESO-administered markets, from an embedded retail generator (as defined in the Retail Settlement Code) located within the distributor’s licensed service area in accordance with the Retail Settlement Code or, in the case of an embedded distributor (as defined in the Retail Settlement Code), from the embedded distributor’s host distributor (as defined in the Retail Settlement Code).

The Waltham Generating Station is located in Quebec 15 miles from ORPC's distribution area. However, the connection interface point has, and continues to be, located in Pembroke within the service area.

During 2002, a meeting took place between Board staff, Murray Moore, then president of ORPC, and Paul Jutras of McLaren Energy (now Brookfield Power). It was agreed that ORPC and McLaren Energy could enter into an agreement for the supply of energy at the HOEP price, plus, a delivery charge for the transmission of the energy from Quebec to Pembroke. Since then, the SSS wording of section 2.2.2 has been changed to specifically refer to an embedded generator requirement being within the distributor's service area.

This supply arrangement with Brookfield Energy provides significant benefit to the customers of ORPC by providing substantial savings in transmission charges. It also meets the intent of encouraging embedded generation to improve the adequacy of supply to the area, which is a second supply that can provide about half of the City of Pembroke's capacity.

The application is seeking an amendment to ORPC's Distribution Licence #ED-2003-0033 to allow an exemption to the Standard Supply Code and Retail Settlement Code as allowed by Section 74 of the Ontario Energy Board Act as follows:

- (1) The Board may, on the application of any person, amend a licence if it considers the amendment to be,
 - (a) necessary to implement a directive issued under this Act; or
 - (b) in the public interest, having regard to the objectives of the Board and the purposes of the Electricity Act, 1998. 2004, c. 23, Sched. B, s. 13.**

2. Background

Ottawa River Power Corporation (ORPC) is a local distribution company serving 10,500 customers in the Town of Mississippi Mills (primarily Almonte ward), the City of Pembroke, the Township of Whitewater (Beachburg only) and the Township of Killaloe, Haggarty & Richards (Killaloe only). ORPC is an embedded distributor and the majority of energy distributed within the service area is purchased from HONI. In addition to energy from the provincial grid, energy is also purchased, at their connection points, from three embedded hydro generators; Enerdu and Mississippi River Power Corporation in Almonte and Brookfield Energy in Pembroke.

It is important to understand the historical background that has led to this exemption application.

In 1893, the first electrical generation plant was established in Pembroke in conjunction with a lumber mill. This allowed for the installation of the first street lighting in Canada. Four years later, Pembroke Electric Light Company (PEL) was formed by a group of local businessmen who took over the generation. A new generation plant was built which used steam to drive an Edison DC generator and a Westinghouse AC generator. The distribution area was expanded throughout Pembroke and the surrounding area.

By 1904, more capacity was required and a generation plant was built on the Black River in Quebec with a 15 mile, 25 KV twin transmission line built into Pembroke. The old steam plant was closed since it was no longer needed with the new capacity from the Waltham Dam.

PEL continued to serve Pembroke as well as the surrounding area, both on the Ontario and Quebec side of the Ottawa River. On orders of the Department of National Defense, the generation plant was expanded in 1940 to supply the rapid growth at CFB Petawawa to support the war effort.

In 1931 a diesel generator (the largest stationary diesel in Canada at the time) was installed in Pembroke to provide additional peaking capacity and voltage support for the supply from Waltham.

PEL supplied the complete electrical requirements of the area until 1952 when, due to low water levels, a connection was made to the Ontario Hydro grid.

In 1967, the municipality of Pembroke bought the distribution assets within the City of Pembroke from PEL and Pembroke Hydro was formed. PEL later sold its remaining distribution assets within Ontario and Quebec to Ontario Hydro and Quebec Hydro.

The generation company left from the sale was renamed Hydro Pontiac and the company continued to operate the generation plant at Waltham. It also developed another site at Coulange Chute.

The two transmission lines (now operating at 44 kV) that fed into Pembroke were retained by Hydro Pontiac. The energy continued to be purchased from Hydro Pontiac at two interconnection points within Pembroke Substations 1 and 4 located within the City limits in Pembroke. The route is shown in Attachment 1.

Pembroke Hydro has contracted for energy and capacity from Hydro Pontiac, and its successor companies Maclaren Energy, Brascan and Brookfield Energy up to the present, with the exception of a short period in the late 1990's. At that time, Ontario Hydro exercised their Ontario monopoly rights and contracted with Brascan for the energy. The physical supply arrangements remained unchanged.

Past contracts for energy and capacity were negotiated locally and provided a substantial savings to the former Pembroke Hydro and now Ottawa River Power Corporation customers.

3. Capacity and Energy Purchases from Brookfield Energy

ORPC purchases approximately 30% of the power requirements from Brookfield Energy's Waltham Generating Station.

Year	Energy Purchase	Average Capacity	% of Total Sales
2007	40 GW-hr	4500 kW	20%
2006	60.6 GW-hr	6900 kW	30%
2005	38.2 GW-hr	4360 kW	18%

4. Current Contract

The first contract, after market opening, was signed in May 2002 between Brascan Energy Marketing (now Brookfield Energy), Hydro Pontiac and Ottawa River Power Corporation. It was recognized that the new legislative framework for the electricity market in Ontario would mean a change in the contract approach. Following discussions with OEB Board staff on June 24, 2002, a new five-year agreement was entered into for the purchase of power. The contract allowed for purchase at the HOEP. It also allowed for a monthly connection fee of \$2.48/kW (coincidental with HONI monthly peak) which, at that time, represented 50% of the HONI transmission charge. A copy of the agreement (Attachment 2) and a file copy of the letter to the OEB confirming discussions of the June 24, 2002 meeting is attached (Attachment 3). The June 24th meeting was attended by Murray Moore from ORPC, Paul Jutras from Brookfield Energy and Suzanne Tong and Russ Houlden from the OEB.

Negotiations to renew the contract commenced with Brookfield Energy in May 2007. Following initial discussions with Brookfield Energy, a letter seeking clarification going forward was sent to the Board on June 19, 2007 (Attachment 4). A reply was received February 22, 2008 advising of the need to seek a license amendment (Attachment 5).

A follow up letter was sent to the Board seeking an extension to the one month disconnecting order (Attachment 6). An extension was granted by the OEB in the March 12, 2008 letter (Attachment 7) and ORPC notified the Board on May 20, 2008 that an exemption would be sought (Attachment 8).

At this point in time, ORPC continues to receive a supply from Brookfield Energy through an extension of the expired contract terms.

5. Benefits of Continuing This Supply Arrangement

a. Cost Benefit to ORPC Customers

There is a significant benefit to the customers of ORPC to continue this contract due to reduced transmission charges. These equate to approximately \$100,000 per year or \$100 per customer. In addition, on April 1, 2005, Regulation 95/05 that amended Regulation 436/02, has resulted in approximately \$300,000 per year of avoided wholesale market service charges. Both these savings are held in variance accounts awaiting an OEB order to return them to our customers through a transmission rate reduction going forward, or the disposition of regulatory assets.

b. Utilization of Existing Generation and Subtransmission Assets

The generation plant at Waltham, along with the twin subtransmission line to Pembroke, was built with the prime purpose of supplying the PEL load in Pembroke and the surrounding area. The evolution of the ownership of the generation, subtransmission and distribution assets has changed over the years but the physical arrangement is, for the most part, unchanged. If load was not supplied to Pembroke, it would be “bottled up” and the full capacity of the Waltham Plant could not be used. Waltham supplies Hydro-Quebec customers in the Allumette Island and Waltham area and has a tie to Fort Coulonge; however, the tie cannot support the full capacity of the station.

c. Renewable Power Supply for Ontario

This supply from Waltham has supplied renewable energy to the Pembroke Area since 1906. The loss of this supply will mean that the Pembroke load will have to be supplied entirely from the HONI grid. In a time when the Province is making great efforts to secure generation capacity it would not make a sense to eliminate this high availability tie.

d. Historic Significance

Beyond the benefit to ORPC customers and the Province of Ontario, the supply to Pembroke from the Waltham dam is a part of the long history of the electrical system in Pembroke. Pembroke is unique in Ontario as one of the few municipalities that has its electrical roots dating back to the time of the very beginnings of electrification in North America. Pembroke is proud to claim the first municipal electric street light in Canada in 1884 in a system designed and installed by the Honourable Thomas Ahearn who later went on to form Ottawa Electric Railway Company and Ottawa Electric Company.

6. Summary

Ottawa River Power Corporation respectfully requests that an amendment be approved to LDC Distribution Licence #ED-2003-0033 as follows:

- a. Exemption to Section 2.2.2 of the Standard Supply Settlement Code to allow ORPC to continue to fulfill its standard supply service from energy supplied by Brookfield Energy from its Waltham Generating Station delivered to ORPC at its stations within the City of Pembroke at the HOEP price (or a price set from time to time for the IESO administered market).

It should be noted that Section 2.2.2 of the SSS Code wording was revised since 2002. The requirement to purchase SSS from an embedded retail generator within the service area has been added (Attachment 9).

- b. Exemption from Section 3.2 of the Retail Settlement Code to allow the purchase of energy from Brookfield Energy from its Waltham Generating Station delivered to ORPC at its stations within the City of Pembroke at the HOEP price (or a price set from time to time for the IESO administered market) and; further, the leave to negotiate delivery charges with the supplier to an amount no greater than that paid by an embedded distributor in the IESO administered market so that ORPC customers benefit or saved harmless.

More specifically we respectfully submit the following proposed exemptions be added to Schedule 3 of Ottawa River Power Corporation License ED-2003-0033:

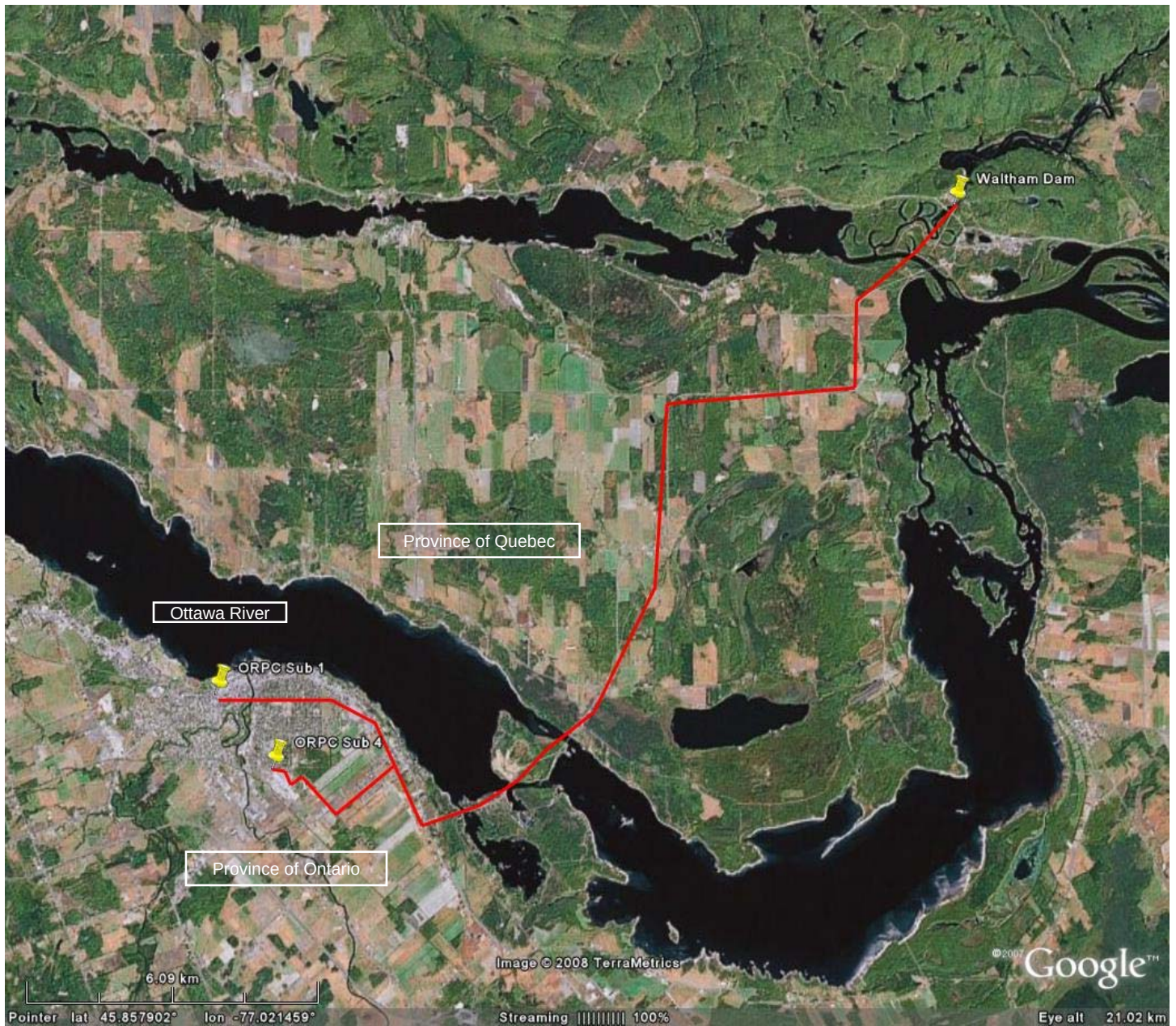
The Licensee is exempt from the provision of section 3.2 of the Retail Settlement Code and section 2.2.2 of the Standard Supply Service Code with respect to the requirement of purchasing of power from an embedded retail generator within its service area to allow the continued purchase of energy from the Waltham Generating Station on the Black River.

And further,

The Licensee shall have the leave to negotiate a delivery rate for energy obtained from Waltham Dam that will not exceed the amount paid by an embedded distributor in the IESO administered market.

List of Attachments

1. Location Map – Waltham Generation Supply to Pembroke
2. Hydro Pontiac/Brascan/ORPC October 2002 Agreement
3. Letter re June 24, 2002 Meeting with OEB
4. June 19, 2007 Letter to OEB
5. February 22, 2008 OEB Reply Letter (3 pages)
6. February 28, 2008 Letter to OEB
7. March 12, 2008 OEB Reply Letter (2 pages)
8. May 20, 2008 Letter to OEB
9. Excerpt from Earlier Version of SSS Code, Section 2.2.2



Attachment 1 - Location Map for Hydro Pontiac Feeders from Waltham Generating Station to Pembroke

THIS AGREEMENT made in duplicate the 24th day of October, 2002.

BETWEEN:

BRASCAN ENERGY MARKETING INC., a corporation incorporated under the laws of Ontario and having its head office in the Masson-Angers, Quebec.

Hereinafter called "BEMI"

OF THE FIRST PART

AND:

HYDRO PONTIAC INC., a corporation incorporated under the laws of Quebec and having its head office in Masson-Angers, Quebec.

Hereinafter called "HP"

OF THE SECOND PART

AND:

THE OTTAWA RIVER POWER CORPORATION, a corporation incorporated under the laws of Ontario and having its head office in the City of Pembroke, County of Renfrew in the Province of Ontario.

Hereinafter called "ORPC"

OF THE THIRD PART

WHEREAS ORPC was incorporated pursuant to the laws of the Province of Ontario on the 28th day of April, 1999 for the purposes of the distribution of electricity in and for the Province of Ontario;

AND WHEREAS HP was incorporated pursuant to the laws of the Province of Quebec and is engaged in the generation of electrical power.

AND WHEREAS BEMI was incorporated pursuant to the laws of the Province of Ontario and is engaged in the sale of electrical power, including the sale of the power generated by HP.

AND WHEREAS the Retail Settlement Code (the "Code") provides that ORPC pay BEMI at the hourly Ontario Energy Settlement Price as published by the IMO (or such other price as set out in the Code, as it may be amended from time to time) for all electricity supplied by BEMI to ORPC.



AND WHEREAS HP and BEMI are subsidiaries of Great Lakes Power Inc. HP operates the generation system on the Noire River, near Waltham, Quebec and BEMI retails the said power.

AND WHEREAS HP had entered into an Operating Agreement with the Hydro Electric Commission of the City of Pembroke with respect to the operation of their systems to facilitate the delivery of power from Quebec to the City of Pembroke.

AND WHEREAS pursuant to the laws of the Province of Ontario, and the transfer by-law from the City of Pembroke to ORPC, all such agreements have been transferred to ORPC.

AND WHEREAS BEMI has supplied from its generating station in Waltham, Quebec part of the electrical power consumed in the distribution system of ORPC in the ORPC service territory.

AND WHEREAS BEMI has agreed with ORPC to perform the services necessary and to provide the necessary equipment at its own expense to allow ORPC the receipt of power generated by HP into ORPC's distribution system.

AND WHEREAS the parties hereto agree that ORPC will settle with and make all payments to BEMI in respect to electricity supplied by BEMI to ORPC at the point of supply (as that term is defined in the distribution system code) for BEMI.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements contained herein, the parties agree with one another as follows:

1. Definitions

- a) Power means, electrical power and includes energy.
- b) IMO means, "Independent Market Operator."
- c) HOEP means "Hourly Ontario Energy Price" as provided by the IMO.
- d) MDEF means, "M.V. 90 Meter Print File."
- e) OEB means "Ontario Energy Board."

2. Operating Agreement

- a) BEMI acknowledges that HP operates a generation station at Waltham, Quebec and is a related company to BEMI. BEMI acknowledges that HP has entered into an operating agreement with the predecessor of ORPC, namely Hydro Electric Commission of the City of Pembroke, which is attached hereto and marked as Schedule "A" to this agreement.



- b) The parties hereto agree that the Schedule "A" agreement has been transferred to ORPC by the City of Pembroke Transfer By-Law and is a binding agreement between HP and ORPC.
- c) HP agrees to comply with the terms of the Schedule "A" agreement and will indemnify and save harmless ORPC in the event that there is any damages caused to ORPC of any nature or kind from any deviation in this operating agreement with ORPC.
- d) The parties hereto agree that the systems will operate to facilitate the delivery of power from BEMI into the system of ORPC for distribution by ORPC as provided for in the said Schedule AA@ attached. The said Operating Agreement may be amended from time to time by agreement of HP and ORPC. Any such amendments made between HP and ORPC shall be accepted by BEMI without the necessity of obtaining any further consent of BEMI. HP and/or ORPC shall forward a copy of any amendments to BEMI when completed.
- e) The parties hereto agree to comply with the "protection" requirements as set out in Schedule "B" attached hereto, which agreement may be amended from time to time by agreement of both parties.
- f) The parties hereto agree to abide by and provide for the metering requirements as set out in Schedule "C" attached hereto, which agreement may be amended from time to time by agreement of both parties.

3. Purpose of the Agreement

- a) BEMI agrees to supply and ORPC agrees to pay for electrical power generated by Waltham Power Station pursuant to the terms and conditions set out herein.
- b) BEMI shall deliver up to 10,000 kilowatts of power as made available by the Waltham Power Station being the surplus of power required by Hydro Quebec customers connected to HP.

4. Power to be Purchased

- a) BEMI shall deliver the power under this agreement at sub-station 1 and 4, Pembroke, Ontario.
- b) The power to be delivered by BEMI to ORPC shall be alternating three (3) phase, having a nominal frequency of 60 cycles per second and nominal voltages may be mutually agreed upon from time to time by the parties.

5. Term of the Agreement

- a) BEMI agrees to supply power to ORPC and ORPC agrees to receive the power for a maximum period of five (5) years with the period to commence on the 01st day of July, 2002 and to end on the 30th day of June, 2007.



- b) The parties hereto agree that they shall have the right to extend this agreement for a further period of five (5) years on mutual consent of the parties. To effect this consent for the renewal period, each party must execute a consent or exchange correspondence agreeing to the extension of the agreement not less than one (1) year prior to the expiry date of the original term.
- c) In the event that a Government in and for Province of Ontario and/or Quebec changes the rules of purchase and/or sale of power that has the effect of requiring ORPC and/or BEMI to terminate this agreement then, in that event, ORPC and/or BEMI, as the case may be, may terminate the reception and/or the delivery of power, pursuant to this agreement, by providing ninety (90) days notice by registered mail to the other, unless such earlier date is provided for by either Government.

6. Settlement between ORPC and BEMI

- a) ORPC agrees to settle with and make all payments to BEMI in respect of the electricity. ORPC shall pay BEMI for all such delivered electricity as follows:
 - i. a commodity price equal to the HOEP.
 - ii. a monthly connection fee of \$ 2.48 per kilowatt, calculated on the amount of power delivered by BEMI coincident with the monthly Hydro One billing peak hour.
- b) Metering data collected by BEMI from the meter of the generator shall be used as the basis for preparation of monthly statements. The metering data shall be subjected to ORPC's validating, estimating and editing process (the VEE process) for settlement and billing purposes and editing, estimating, correcting of any metering data found to be erased or missing, shall be performed in accordance with the VEE process.
- c) Irrespective of the provisions of Paragraph (a) herein, ORPC shall, not later than twenty-one days (21) after it receives a monthly installment account for electrical power supplied by Hydro One, or any successor in the Province of Ontario, calculate BEMI's coincidental peak to that of Hydro One's peak to the substations of ORPC with the time of Hydro One's peak and calculate the BEMI bill and only pay BEMI on the kilowatt portion of the bill at the coincidental peak at the rate of \$2.48/KW for the connection fee.
- d) In the event that there are any other charges required to be paid by ORPC to Hydro One due to interruptions and other matters caused by BEMI then, in that event, the extra charges are the obligation of BEMI and must be paid by BEMI after invoice of thirty (30) days. In the event that these amounts are not paid within thirty (30) days, ORPC may deduct the extra charges and additional expenses, as charged, from the next monthly payment to BEMI.

7. Settlement Process

- a) ORPC shall be invoiced by BEMI for purchase of power, monthly, at the end of the month of delivery.
- b) ORPC shall, not later than twenty-one (21) days after it receives a monthly invoice



from BEMI, remit payment to BEMI in accordance with the rates as set out herein.

- c) ORPC shall be entitled to a reimbursement of payments made to BEMI if it is found based upon the records of ORPC in the measuring devices installed that in fact ORPC was overcharged for the energy provided.
- d) It is agreed that ORPC, to effect the reimbursement referred to in Paragraph 7(c), must provide notice to BEMI of an error in calculation of measuring of the rate and provide back-up material to justify same and then readjust for the next monthly billing after the payment was made.
- e) It is agreed that ORPC has the right to a readjustment up to six (6) months subsequent to the billing date of the date covering the energy supplied which is subject to readjustment.
- f) It is agreed that BEMI shall have the right of readjustment up to six (6) months subsequent to the billing date of the date covering the energy supplied in the event of error as discovered by BEMI.
- g) In the event of default of payment by either of the parties, pursuant to the terms of the agreement herein, interest shall be paid on any outstanding amounts at the rate of 1.5 % per month on over due accounts.

8. Power Sold to Quebec

- a) BEMI agrees to purchase power from ORPC at the OEB approved rate for power supplied to the Province of Quebec. This rate will include approved monthly charges for standby or other expenses, plus the HOEP.
- b) ORPC shall provide an invoice to BEMI for such charges referred to in Paragraph 8(a) with payment to be made by BEMI within twenty-one (21) days after it sees a monthly invoice from ORPC.
- c) In the event of default of payment by BEMI with respect to its obligations for payment herein, interest shall be paid on all outstanding amounts at the rate of 1.5% per month on all overdue accounts.

9. Service Requirements

- a) BEMI and HP will perform all services and supply all equipment that may be required pursuant to the terms of this agreement resulting from or pertaining to the supply of power to ORPC at no cost to ORPC.
- b) BEMI agrees to install any necessary measuring devices in accordance with the requirements of Schedule "C" so that power supplied from all sources of supply by BEMI can be determined. BEMI agrees to provide to ORPC records from such measuring devices daily on an hourly basis for both metering points on Channels 1 and 3. In addition, BEMI agrees to provide a monthly summary for both metering



points in Lotus format within five (5) days after the end of each month.

- c) BEMI will ensure and make certain that all devices, equipment and material that are required to be installed are installed to ensure that the power to be delivered to ORPC hereunder by BEMI will be alternating three (3) phase, having a nominal frequency of 60 cycles per second and nominal voltages which may be mutually agreed upon from time to time by the parties.

10. Provincial Requirements, Licensing, etc.

- a) The parties hereto agree that they shall comply, at their own cost and expense, with all matters pursuant to any statutes of Quebec and/or Ontario that are necessary to be complied with for the purposes of supplying power in this agreement and will indemnify and save each other from any claims, causes of actions or any matters associated with any requirements in the said Provinces and./or Dominion of Canada, municipality or any other authority having jurisdiction over the supply and generation thereof, in their respective Provinces and/or country of Canada.
- b) Without restricting the generality of the provisions of Paragraph (a) herein, each of the parties shall comply with all matters of which they are required to comply with, pursuant to the OEB and shall indemnify and save each other from all claims, cause of actions, or any other matters associated with any requirements for filing documentation, license requirements, metering obligations, or any other matters required by the OEB for the purpose of the supply of power set out herein.
- c) Irrespective of the provisions of Paragraph (a) and (b) herein, BEMI and HP have represented that this agreement entered into between the parties, may be legally entered into and they have received advice from the OEB staff in a meeting between ORPC, OEB staff and BEMI in July 2002 that such agreement is allowed. In the event that the OEB or any other Government agency in and for the Province of Ontario determines that this agreement is not validity constituted and that ORPC cannot enter into and should not have entered into such agreement then, in that event, all risks and any and all damages and/or any amounts or expenses claimed or imposed by any Government Agency in the Province of Ontario or the OEB with respect to this matter will be the responsibility of BEMI and/or HP.

11. Steps to Effect the Agreement

- a) BEMI agrees that upon execution of this agreement by the parties, BEMI will take all necessary and reasonable steps to obtain the necessary equipment required to comply with the terms of this agreement in order that there will be only a minimum delay in the efficient operation of the system. All such costs required to install any necessary equipment, including any measuring devices as per the requirements of the IMO shall be at the cost of BEMI.
- b) BEMI shall obtain and keep current a MDEF file as per the Schedule AC@ attached hereto.



12. Limited Liability

- a) The respective parties hereto shall be obligated to supply and to accept power, and to comply with the Schedule "A" agreements as set out herein pursuant to the terms and conditions of this agreement, unless prevented in doing so by any cause beyond the reasonable control of the parties including, without limiting the generality thereof, strike, lock-out, riot, fire, insurrection, hurricane, civil commotion, flood, invasion, explosion, or act of God. In the event of any of these matters occurring, the parties shall be prompt and diligent in removing the cause of the interruption and when the interruption is removed, the parties shall without any delay deliver the said power and/or comply with the Schedule "A" agreement as the case may be pursuant to this agreement and no such interruption shall relieve the other party from their obligations under this agreement unless the interruption exceeds a period of sixty (60) days.
- b) The parties hereto shall have the right, at reasonable times and when possible after reasonable notice has been given to each other, to discontinue the supply and/or acceptance of power for the purposes of safeguarding life or property and/or for the purpose of operational maintenance, replacement or detention of each of the parties' apparatus, equipment or works. All such interruptions shall be of minimum duration and, when possible, the parties shall arrange for a time least objectionable to each other or to its customers and no such interruption shall release the parties from any obligation under this agreement.
- c) BEMI shall indemnify and save harmless ORPC from all claims by the OEB or other designated agency in and for the Province of Ontario resulting from the breach of any covenant or obligation of BEMI pursuant to this agreement or resulting from the supply of power by BEMI to ORPC.
- d) BEMI shall indemnify and save harmless ORPC from any claims by the Quebec Government or any licensing body in the Province of Quebec or other entity in the Province of Quebec or in the country of Canada resulting from the breach of any covenant or obligation of BEMI pursuant to this agreement or resulting from the supply of power by BEMI to ORPC.

13. Default of the Parties

- a) In the event of a default of the parties in addition to any other rights pursuant to this agreement, the parties are entitled to terminate the agreement if the level of performance required from each other does not materially comply with the terms and conditions of this agreement.
- b) Each of the parties shall be deemed to be in default if it becomes insolvent, pursuant to the meaning of the *Bankruptcy and Insolvency Act* or its property or any substantial portion thereof is seized or otherwise attached by anyone pursuant to any legal process, including distress, execution or any other step or proceeding with similar effect.



14. Synchronization of System

- a) It is the responsibility of HP and HP agrees to synchronize their system for the purposes of enabling power to flow into the Pembroke substation 1 and Pembroke substation 4 and into the Hydro One grid system. In the event of any disruption in the synchronization of the system or any difficulties associated therewith, then the costs are borne by HP and/or BEMI.

15. Arbitration

- a) All matters in difference between the parties in relation to this agreement, where a dispute resolution mechanism is not otherwise provided for pursuant to this agreement, shall be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise to three arbitrators, one to be appointed by each party and a third to be chosen by the first two named before they enter upon the business of arbitration. The award and determination of the arbitrator or arbitrators or any two of three arbitrators shall be binding upon the parties and their respective heirs, executors, administrators and assigns.
- b) In all respects, the parties shall comply with the Arbitrations Act of Ontario, R.S.O. 1990, c. A-24.

16. Confidentiality of All Matters

- a) It is agreed by the parties that each shall maintain confidentiality with respect to its business operations being conducted. In particular, in using any computer equipment, each shall maintain separate disks and files with separate passwords and shall ensure that all business matters remain confidential.
- b) The parties agree that neither party is entitled to download or access the other's filing system or any files or documentation from their computer system.

17. Liability Damage and Insurance

- a) BEMI and HP hereby assume all risks of loss or damage arising from any negligent acts or omissions caused by either, including damage to or loss of:
 - its services;
 - generation which damages the distribution system of ORPC.
- b) ORPC acknowledges that it has no claim or cause of action howsoever for loss or damages against BEMI and/or HP, as the case may be, for any matters associated with this agreement save and except any damage caused by the negligence of BEMI and/or HP.
- c) BEMI and/or HP, as the case may be, do hereby indemnify and save harmless ORPC



from all claims and demands for and with respect to any loss, damages or injury (including loss of life) to property or persons including a third party arising out of or attributable to the carrying out by BEMI and HP or its employees, sub-contractors, assigns or persons under its jurisdiction of any work and services to be performed pursuant to this agreement, save and except for such loss or damages caused solely by the negligence of ORPC.

- d) BEMI and/or HP shall, respectively, during the term of this agreement and any renewals thereof, maintain a policy or policies of insurance with each having a minimum limit of \$5,000,000.00 against liability due to damage to the property of ORPC and/or damages for income loss, claims or causes of action of any kind whatsoever that may be instituted against ORPC for the negligence of BEMI and/or HP. This insurance shall be suitable to ORPC and to include liability insurance coverage with respect to any third party claim against liability due to injury to or death of any person or persons. ORPC is entitled to review and be provided with a certificate of insurance from BEMI and/or HP, if requested, confirming the required coverage. The obligation for payment of insurance shall be the sole responsibility of BEMI and/or HP.
- e) ORPC does hereby indemnify and save harmless BEMI and/or HP, as the case may be, from all claims and demands for and with respect to any loss, damages or injury, (including loss of life) to property or persons, including a third party arising out of or attributable to carrying out by ORPC or its employees, subcontractors, assigns or persons under its jurisdiction for any work and services performed by it pursuant to this agreement in the event that ORPC is negligent in the performance of such duties.
- f) BEMI and/or HP acknowledges that they have no claim, cause of action, howsoever for loss or damage against ORPC for any amount associated with this agreement, save and except any negligence of ORPC.
- g) As per the terms as set out in Paragraph 9 (c), irrespective of the foregoing provisions, in the event that the OEB or other any Government agency, for any reason, nullifies the terms of this agreement, then in that respect ORPC is not responsible for any damages occasioned to HP or BEMI, nor for any indemnification of any damages associated therewith,

18. Waiver

- a) The failure of any party to this agreement to enforce or insist upon compliance of any of the terms or conditions of this agreement shall not constitute a general waiver or relinquishment of any such terms or conditions and the same shall remain at all times in full force and effect.

19. Assignment

- a) This agreement may not be assigned without the express consent of both parties, such consent not to be unreasonably withheld.



20. Notice

- a) Any written notice provided by this agreement shall be effected if delivered as follows:
 - i. Delivery on ORPC may be effected by delivery to the President, Murray Moore, or any subsequent President of ORPC, addressed and sent by double registered mail or courier or personal delivery at 283 Pembroke Street West, P. O. Box 1087, Pembroke, Ontario, K8A 6Y6.
 - ii. Delivery to BEMI may be effected by delivery to the office of BEMI and sent by double registered mail or courier or personal delivery at 2 Montreal Road West, Masson-Angers,, Quebec, 1B1 2E1, Attention: Laurent Cusson, Senior Vice-President.
 - iii. Delivery to HP may be effected by delivery to the office of HP and sent by double registered mail or courier or personal delivery at 10 Hydro, Waltham, Quebec, J0X 3H0, Attention: Ron Lean, Area General Manager.
- b) In the event that notices are to be provided to other individuals in the place of these parties, then the parties shall provide names and addresses for same.

21. Entire Agreement

This agreement constitutes the entire agreement between the parties hereto. There are not and shall not be any verbal statements, representations, warranties, undertakings or agreements between the parties hereto and this agreement may not be amended or modified in any respect, except by written instrument signed by the parties hereto.

22. Proper Law of Contract

This agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by the laws of the Province of Ontario. Each of the parties hereto hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Ontario.

23. Benefit and Binding Nature of the Agreement

This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

24. Changes to the Codes

- a) If the OEB Codes or other relevant legislation or regulations are or will be revised in a material way such that either party, acting reasonably, believes that it is not (or will not be) able to carry out its obligations under this agreement, the parties agree to meet within a reasonable time upon receipt of notice from either party in a good-faith effort to revise the agreement to give effect to the changes to the codes or legislation.



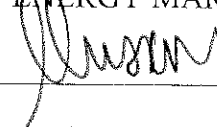
- b) In the event that no agreement can be reached within sixty (60) days, then notice of termination can be provided by either of the party.

25. Effective Date

This agreement shall take effect on the date as referred to in Paragraph 4 above .

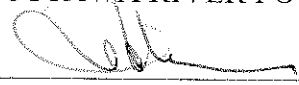
IN WITNESS WHEREOF this agreement has been executed by the parties hereto.

BRASCAN ENERGY MARKETING INC. ,

Per:  _____

I have the authority to bind the Corporation.

THE OTTAWA RIVER POWER CORPORATION

Per:  _____

I have the authority to bind the Corporation.

HYDRO PONTIAC INC.

Per:  _____

I have the authority to bind the Corporation.



Schedule "A"

THIS AGREEMENT made as of the 09th day of December, 1998.

BETWEEN:

HYDRO PONTIAC INC.,
(Hereinafter called, "Pontiac" of the FIRST PART)

-and-

HYDRO ELECTRIC COMMISSION OF THE CITY OF PEMBROKE
(Hereinafter called, "Pembroke" of the SECOND PART)

WHEREAS

1. Pontiac operates a generation station on the Noire River near Waltham in the Province of Quebec and transmits power along its 44 kv lines to the City of Pembroke.
2. Pembroke distributes power which it purchases from Ontario Hydro to the City of Pembroke and elsewhere through Pembroke's distribution system located in the City of Pembroke.
3. Pembroke has agreed to take up to 10 MW of power transmitted to the City of Pembroke along Pontiac's 44 kv lines and, for that purpose, Pontiac and Pembroke wish to enter into an Operating Agreement with respect thereto.

IN CONSIDERATION of the mutual covenants and agreements herein set forth the parties agree as follows:

1.0 Operating Agreement

- 1.1 The parties agree to operate their systems to facilitate the delivery of power from Quebec to the City of Pembroke as provided for in Schedule "A" attached hereto.

2.0 Recuperation

- 2.1 Inasmuch as a direct current supply is required to operate the Pontiac breakers, Pontiac shall reimburse Pembroke the sum of One Thousand Dollars (\$ 1,000) per year, payable by September 15, 1997 and on the 15th day of September of each year subsequent for the term of the Agreement for the use of Pembroke's D.C. supply.

3.0 Maximum carrying of energy

- 3.1 The parties hereto agree that the maximum power that may be wheeled or carried through Pembroke equipment lines and other facilities by Pontiac is 10 MW of power.

4.0 Termination

- 4.1 Subject to Paragraph 5.0 and the provisions of this Paragraph 4.0, this Agreement shall remain in force and effect for so long as power is delivered to the City of Pembroke along Pontiac's 44 kv lines from Quebec, provided that:
- i. either party may terminate this Agreement by giving written notice to the other at least eighteen (18) months prior to the date of such termination; or
 - ii. this Agreement may be terminated at any time by the mutual written agreement of both parties.

5.0 Grounds for Termination

- 5.1(i) Subject to Paragraph 5.1(ii), Pembroke shall be entitled to terminate this Agreement if:
- (A) The level of performance required from Pontiac does not materially comply with the terms and conditions of this Agreement; or
 - (B) Pontiac does not make the payments as required pursuant to this Agreement.
 - (C) If the Ontario Government changes the law with respect to Pembroke lines thereby making the performance of this Agreement impossible or unlawful.
 - (D) Should Pembroke be sold or cease to exist as a hydro commission entity and the new entity not be prepared to take an assignment of the said Agreement.
- 5.1 (ii) In the event that Pembroke believes a default has occurred by Pontiac, Pembroke shall give written notice to Pontiac providing full particulars of the default with respect to the provisions referred to Paragraphs 5.1(i) A and B which Pembroke alleges and Pontiac shall thereafter have 30 days or such further period of time as would be reasonable having regard to the nature of the default being alleged, to cure such default and Pembroke's right to terminate this Agreement shall only arise if Pontiac fails to cure the default within the time periods as noted above.
- 

- 5.1(iii) In the event that the circumstances in Paragraphs 5.1(i) C or D occur then, in that event, Pembroke shall give to Pontiac the lessor of twelve months notice or such notice as is statutorily required by any legislation applicable.

6.0 Liability, Damage and Insurance

- 6.1 Pontiac hereby assumes all risk of loss or damage arising from any acts or omissions caused by it, including damage to or loss of:
- A. Its attachments;
 - B. Its services;
 - C. Its poles and equipment.
- 6.2 Pontiac acknowledges that it has no claim or cause of action for loss or damages against Pembroke for any matters associated with this Agreement, save and except any damage caused solely by the negligence of Pembroke and does hereby release Pembroke from any claims, causes of action, demands or any matters whatsoever aside from claims caused by the negligence of Pembroke.
- 6.3 Pembroke acknowledges that it has no claim or cause of action for loss or damages against Pontiac for any matters associated with this Agreement, save and except any damage caused solely by the negligence of Pontiac and does hereby release Pontiac from any claims, causes of action, demands or any matters whatsoever aside from claims caused by the negligence of Pontiac.
- 6.4 Pontiac does hereby indemnify and save harmless Pembroke from all claims and demands for or with respect to any loss, damages or injury (including loss of life) to property or persons including a third party arising out of or attributable to the carrying out by Pontiac or its employees, sub-contractors, assigns or persons under its jurisdiction of any work and services to be performed pursuant to this Agreement, save and except for such loss or damages caused solely by the negligence of Pembroke.
- 6.5 Pembroke does hereby indemnify and save harmless Pontiac from all claims and demands for or with respect to any loss, damage or injury (including loss of life) to property or persons including a third party arising out of or attributable to the carrying out by Pembroke or its employees, sub-contractors, assigns or persons under its jurisdiction of any work and services to be performed pursuant to this Agreement save and except for such loss or damage caused solely by the negligence of Pontiac.
- 

- 6.6 Pontiac shall, during the term of this Agreement and any renewals thereof, maintain a policy or policies of insurance with a minimum limit of \$ 5,000,000 against liability due to damage to the property of Pembroke, such insurance to be suitable to Pembroke and to include liability insurance coverage with respect to any third party claim against liability due to injury to or death of any person or persons.
- 6.7 Pembroke is entitled to review and be provided with a Certificate of Insurance from Pontiac confirming the required coverage.
- 6.8 The obligation for payment of insurance shall be the sole responsibility of Pontiac.
- 6.9 Notwithstanding the foregoing, Pontiac shall be exempted from any liability under this Agreement in connection with any loss, damage or injury arising from the negligence of Pembroke or any act or omission of its employees, servants, contractors, sub-contractors, agent, directors, officers or any party acting under its authority or control.

7.0 Waiver

- 7.1 The failure of any party to this Agreement to enforce or insist upon compliance of any of the terms or conditions in this Agreement shall not constitute a general waiver or relinquish of any such terms or conditions or the same shall be and remain at all times in full force and effect

8.0 Compliance with Statutes

- 8.1 Pontiac and Pembroke shall be responsible for complying with the requirements of all relevant statutes, regulations, directions guidelines or policies, governmental or regulatory agencies and the standards of the Canadian Standard Association and Municipal Electric Association of Ontario with respect to fixing and maintaining of attachment to poles or any other equipment referred to herein.

9.0 Arbitration

- 9.1 Should the parties have a dispute with respect to any terms of this Agreement, the parties agrees that all matters and differences between the parties in relation to this Agreement shall be referred to the arbitration of a single Arbitrator if the parties agree upon one, otherwise to three Arbitrators, one to be appointed by each party and a third to be chosen by the first two named before they enter upon the business of the arbitration. The award



and determination of the Arbitrator or Arbitrators or any two of the three Arbitrators shall be binding upon the parties and their respective heirs, executors, administrators and assigns.

- 9.2 The parties hereto agree that with respect to any dispute for arbitration that the parties agree to abide by the *Arbitrations Act for the Province of Ontario* in that respect.

10.0 Law of Contract

- 10.1 The parties agree that the Agreement shall be interpreted in accordance with the laws of the Province of Ontario.

11.0 Legal Fees

- 11.1 Pontiac shall provide to Pembroke their reasonable legal fees associated with drafting this Agreement, preparing same and arranging for execution of same by Pembroke.

12.0 Assignment

- 12.1 Except as provided for in Paragraph 12.2 below, this Agreement may not be assigned without the express consent of both parties, such consent not to be reasonable withheld.
- 12.2 Notwithstanding Paragraph 12.1:
- (a) Pembroke may assign this Agreement to a county Utility if, in fact, one is established during the term of this Agreement; and
 - (b) Pontiac may assign this Agreement, without consent of Pembroke, to an affiliate provided that Ontario Hydro or any successor in the Province of Ontario consents to such assignment to the affiliate.

13.0 Notice

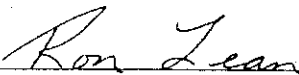
- 13.1 Any written notice provided by this Agreement shall be effective if delivered as follows:
- i. Delivery on Pembroke Hydro may be affected by delivery to its General Manager, Murray Moore, or any subsequent or successor General Manager for Pembroke



Hydro, addressed and sent by double registered mail or courier or personal delivery at 283 Pembroke Street West, P.O. Box 1087, Pembroke, Ontario, K8A 6Y6.

- ii. Delivery to Hydro Pontiac by personal service, double registered mail or letter delivered to Hydro Pontiac Inc., 1 Rochon Road, p.O. Box 69, Waltham P.Q., J0X 3X0 with a copy to BCE Place, Suite 4400, 181 Bay Street, P.O. Box 762, Toronto, Ontario, M5J 2T3, Attention: Harry Goldgut, Vice President.
- iii. In the event that notices are to be provided to other individuals in the place of these parties, then the parties shall provide names and addresses for same.

IT IS MUTUALLY agreed by all parties that all conditions and policies as outlined herein will take effect on October 01, 1997 and be binding on all parties. This Agreement supersedes all former agreement negotiated between the two operation authorities.

} 
} Ron Lean, General Manager
} PER: Hydro Pontiac Inc.
}
}
} 
} Murray L. Moore, General Manager
} PER: Hydro Electric Commission of the
} City of Pembroke



SCHEDULE "A"

Information

1.0 Ownership

- 1.1 Pontiac owns wires and associated equipment (insulators, etc.), plus breakers "A1" (Z2H1D) & "B1" (COX5M) and their respective protection equipment on "A" and "B" 44 kv circuits in the City, with the exception of the metering which is owned by Ontario Hydro. In addition, the billing metering is owned by Ontario Hydro and used and interrogated by Ontario Hydro for billing purposes.
- 1.2 Pembroke owns pole lines in the City of Pembroke, the City loop and terminal stations 1 & 4 in the City of Pembroke.
- 1.3 Pontiac owns poles and lines east of the City of Pembroke limits to the Drive In Road on Pembroke Street East.

2.0 Operating Control

- 2.1 "Operating Control" is defined as the exclusive authority to perform, direct, or authorize the operation of specific devices. Assignment of Operating Control is based with Pembroke Administration.
- 2.2 In its capacity as Administrator of the Operating Control Pembroke acknowledges and agrees that:
 - A: Pontiac has remote control of "A1" and "B1" breakers and may operate under approval of the Pembroke Operator.
 - B: Pontiac may designate a remote operator or Operations Company who will carry out all the responsibilities of their operation under Pontiac's control in this Agreement.
 - C: Pembroke shall communicate with Pontiac or their designated operator with respect to any planned changes in the system where the changes may affect Pontiac's system.
- 2.3 44 KV Feeders
 - A: Pembroke Operator will have operating control of the two breakers A1 (Z2H1D) B1 (COX5M) and of the two disconnects A1 (R9H8Z) and B1 (Y9M8X).
 - B: All breakers and disconnects in the Province of Quebec are under the operating control of the Pontiac Operator.

3.0 Operation

- 3.1 Both "A" and "B" lines will normally operate in parallel only if the supply to Pembroke is greater than 1500 KW. If the supply to Pembroke is under 500 KW, then there shall only be a single line feed to Pembroke avoiding circulating currents.
- 3.2 Due to the various supply arrangements that may be in place at the Pembroke transformer station, all load transfers between the 6M1 and 6M2 feeders must be approved by the Cheneaux GS Operators.



- 3.3 Operation of gang operated switches on A1 (R9H8Z) and B1 (Y9M8X) will be carried out by Pembroke staff on the instructions of the Pontiac Operator.
- 3.4 Operation of gang switches and breakers in the Province of Quebec will be carried out by Pontiac Operators.

4.0 Planned Operation

- A. Pembroke Operators are responsible for coordinating all operations and outages to equipment under their control. Pembroke will advise Pontiac of any operation or outage that could impact the operation of the Pontiac system and/or stations.
- B. Pontiac is responsible for coordinating all operations and outages to equipment under their control. Pontiac will advise Pembroke Operators of any outages, or outage that could impact the operation of the Pembroke system.
- C. Whenever possible, four (4) days notice will be provided with respect to items (a) and (b) above.
- D. Each utility will inform the other of any change of electrical configuration in the 44 KV within their jurisdiction.
- E. Pontiac will make all reasonable efforts to reduce interruptions on the Ontario Hydro system that are caused by faults on Pontiac's 44 kv lines. For the purposes of this provision it is understood that Pembroke Hydro may consider three or more interruptions caused by Pontiac in one twelve month period to be unreasonable.

5.0 Servicing

- 5.1 Servicing and repair of that portion of the A and B lines located within the City of Pembroke shall be carried out by Pembroke crews at Pontiac's cost. No upgrades should be made without Pontiac's consent. Other works or breakers maintenance requested to be completed by Pontiac may be carried out by a Pembroke approved sub-contractor or by Pembroke staff at Pontiac's cost.
- 5.2 Servicing on the City tie-line outside the City of Pembroke between the Drive In Road and the City boundary will be maintained by Pembroke at their cost.
- 5.3 In the event that switching, tagging or clearing of either of A or B lines to perform work is required by Pontiac, no charges shall be levied against Pembroke.

6.0 Maintenance of Power Factor and Voltage

- 6.1 Pontiac agrees to maintain at all times a power factor in excess of 90%.
- 6.2 Pontiac shall maintain an operating voltage which will not negatively affect the Pembroke operation.

7.0 Upgrades

- 7.1 Each utility shall be a responsible for the cost of any upgrades or renovations or any new construction required for their respective plants for the purposes of this Agreement.

8.0 Communications

- 8.1 Communications between Pembroke and Pontiac regarding the operation of their respective operating systems will be made between the respective operators.
- 

- 8.2 Pembroke Operator will inform Pontiac whenever conditions occur affecting the supply to Pembroke. Normal contact is via telephone as per telephone numbers listed in Appendix "A" attached hereto and to be updated from time to time.
- 8.3 Information and instructions between Pembroke and Pontiac for operations and work protection shall be properly recorded. Communications involving work protections must be supported by appropriate documentation and copies faxed to Pembroke and Pontiac, as the case may be, whenever possible.

9.0 Work Protection

9.1 Definitions

A. Work Protection

Work protection is defined as a guarantee that an isolated/de-energized condition has been established for work and will continue to exist, except for authorized tests.

B. Condition Guarantee

Condition guarantee is defined as a guarantee issued in support of a Work Protection guaranteeing isolation/de-energization at points under the control of the issuer.

C. Hold Off

Hold off is defined as a procedure implemented by a controlling authority to limit operation of apparatus to facilitate work or reduce work hazards. Under no circumstances shall a Hold Off be used in place of a Work Protection. A Hold Off procedure shall not be used unless communications satisfactory to the issuer can be established.

D. Work Authority

Work Authority is defined as a person responsible and in charge of specific work/tests. It is the responsibility of the Work Authority to identify the need and arrange for adequate Work Protection.

9.2 Work Protection Procedures

- A. Pembroke and Pontiac shall provide their own protection for work on apparatus under their operating control.
- B. Personal protection tags (installed and removed by individual requesting protection), will be utilized in accordance with the worker's appropriate protection code.
- C. When a guarantee of isolation/de-energization is required, a request will be made to the appropriate controlling authority and the requested Condition Guarantee shall be issued in accordance with the controlling authority's own protection code; i.e. in Pembroke the EUSA code will be followed and in Waltham the Hydro Quebec code will be followed.
- D. Hold-Off practices established on circuits supplying Pembroke load will be issued by Pembroke in accordance with Pembroke's regulations. Communication with the Work Authority will be by Pembroke Operations and Pontiac Operations as required. On a request for Hold Off Protection to either Hydro Pontiac or Pembroke Hydro, the following steps shall be taken.

- i. The operator (either Hydro Pontiac or Pembroke Hydro) shall, on receipt of the request, notify the other operator and request protection.
- ii. When the protection is established (tagged and recorded) and only when completed, he shall then notify the requesting body that "Hold Off" protection has been established.
- iii. The requesting body for the "Hold Off" shall notify the designated utility operator that he originally requested the "Hold Off" protection from when he is ready to surrender the "Hold Off."
- iv. The operator shall then surrender the "Hold Off" to the other Utility and document.
- v. It is imperative that the requesting body should not surrender the hold off second hand.
- vi. Protection for Ontario Hydro crews shall be taken by the Chenaux Operators for any work being performed by Ontario Hydro.

10.0 Safety

- 10.1 When employees of either Pembroke or Pontiac or contractor are working on equipment owned by the other entity, they will continue to be governed by the requirements of the Ontario Occupation Health and Safety Act and the Electrical Utility Safety Association regulations.

11.0 Maintenance Responsibilities

- 11.1 Pembroke is fully responsible for routine and emergency maintenance and repairs on all equipment under their ownership except as provided for in this Agreement.
- 11.2 Pontiac is fully responsible for routine and emergency maintenance and repairs on all equipment under their ownership except as provided for in this Agreement.

12.0 Review of Operations

- 12.1 This operations agreement may be reviewed and modified if deemed necessary, at any time, by mutual agreement.
- 12.2 Attached hereto and marked as Appendix "A" to this Agreement is a listing of phone numbers and contact persons for the assistance of the operation of this Agreement.



SCHEDULE 'B'

PROCESS FOR CONNECTING AN EMBEDDED GENERATOR PROTECTION REQUIREMENTS GUIDE

Maclaren Energy Inc. (embedded generator) should provide protection systems to cover the following conditions:

1. Internal faults to provide adequate protections to detect and isolate generator and station faults (details are not covered in this guide).
2. External faults such as distribution system or interconnected transmission system phase faults/ground faults.
3. Islanding/Abnormal Conditions
4. Additional Protection Features, such as Remote Trip and Generator end open signal, may be required in some applications.

This guide addresses protection requirements associated with items 2, 3 and 4.

External Faults

The protection system should be designed to provide full feeder coverage complete with a reliable DC supply. In some cases, redundancy in protection schemes may be required.

Normally, the following fault detection devices are required for synchronous generator(s) installation(s). For protection of induction generator, see section 4.1 in this document.

Ground Faults

When the HV winding of the embedded generator station transformer is wye connected with the neutral solidly grounded, then ground overcurrent (64) protection in the neutral is required to detect ground faults.

If the embedded generator station transformer HV winding connected to the Distributor system is ungrounded wye or delta, then ground undervoltage 64-27 and ground overvoltage 64-59 protections are required to detect ground faults.

Depending on size, type of generator and point of connection, a distributor may require the relaying system to be duplicated, complete with separate auxiliary trip relays and separately fused C supplies to ensure reliable protection operation and successful isolation of the embedded generator.



DC Remote Tripping/Transfer Tripping Between Embedded Generator and Feeder Circuit Breaker

Remote or transfer tripping may be required between the embedded generator and the feeder circuit breaker because the embedded generator is connected at a critical location in the distribution system. This feature will provide for isolation of the embedded generator when certain faults or system disturbances are detected at the feeder circuit breaker location. The use of this feature may be restricted by physical limitations or economics.

Notes:

1. Maclaren Energy Inc. (embedded generator) is responsible for providing suitable embedded generator equipment to protect his plant and equipment for any conditions on the distributor and interconnected transmission systems such as reclosing, faults and voltage unbalance.
2. To incorporate the connection of embedded generator to the distribution system, the line/feeder protection including settings and breaker reclosing circuits must be reviewed and modified if necessary by the distributor or transmission authority. This process may be complex and may require significant time.
3. The embedded generator must submit a proposed single line diagram and protections for review to the distributor contact as identified by the distributor.
4. Based on the transformer connection proposed by embedded generator, additional significant protection cost may be incurred (e.g. delta HV transformer winding may require 3 phase HV breaker/recloser device). The embedded generator should not order the protection equipment and transformer until the station line diagram is reviewed and accepted by the distributor.

The purpose of the distributor review is to establish that the embedded generator electrical interface design meets the distributor requirements.

5. The protection schemes should incorporate adequate facilities for testing/maintenance.
6. Negative phase sequence (46) protection may be desirable for some applications to detect abnormal system condition as well as to protect the generator.
7. The embedded generator may be required to install utility grade relays for those protections which could affect the distributor or transmission authority system.

The embedded generator may be required to submit a Ground Potential Rise study for review by the distributor, if telecommunications circuits are specified for remote transfer trip protection.

SCHEDULE 'C'

METERING REQUIREMENTS

The Customer is responsible for supply, by a meter service, supply or other means, the following:

- a) MV90 4 quadrant compatible interval meter or IMO approved metering c/w approved C.T.'s and P.T.'s and installation.
- b) Supply ORPC daily hourly meter data in MDEF format, via email or website.
- c) Maintain MDEF files consistent with IMO requirements and good business practice.
- d) Dedicated phone line.
- e) Where practical, metering for embedded generators shall be installed at point of supply. If this is not possible, the distributor shall apply a loss factor.

In the event of a metering problem (i.e. blown C.T., etc.), repairs shall be completed within IMO guidelines.



[Maclaren Energy Inc. Letterhead]

July 4, 2002

Ms. Suzanne Tong
Ontario Energy Board
2300 Yonge Street
Suite 2601
Toronto, Ontario
M4P 1E4

Mr. Russ Houlden
Ontario Energy Board
2300 Yonge Street
Suite 2601
Toronto, Ontario
M4P 1E4

Dear Ms. Tong and Mr. Houlden:

Re: Ottawa River Power Corporation

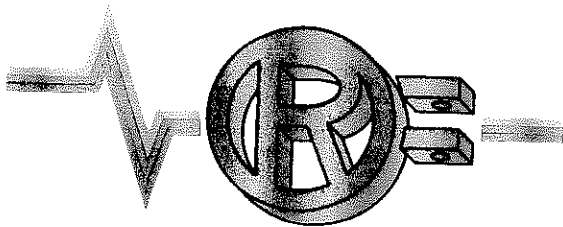
Thank you for the opportunity to meet with you on June 24, 2002 to discuss the power purchase arrangement between Maclaren Energy Inc. ("MEI") and Ottawa River Power Corporation ("ORPC").

As discussed, MEI will deliver power from the generating facility of Hydro Pontiac Inc. (MEI's affiliate) in Québec to substations 1 and 4 of the ORPC's distribution system by way of a 44 KV inter-provincial power line. ORPC will purchase power from MEI at the hourly Ontario energy price (HOEP) as established in the IMO administered markets and pay to MEI a charge for delivery of the power from Québec to the ORPC system.

Any difference between the OEB approved Wholesale Market Service Rate and Retail Transmission Service Rate collected by ORPC from its customers and the amount paid to MEI by ORPC in respect of the Québec delivery charge will be accounted for by ORPC in a OEB approved variance account and disclosed to the OEB in its next regular rate filing.

We confirm that, except for ORPC's accounting of the aforementioned variance, neither MEI nor ORPC needs to seek regulatory approvals to implement the arrangements described herein.

Yours very truly,



Ottawa River Power Corporation

283 pembroke street west • p.o. box 1087 • pembroke, ontario K8A 6Y6

tel: (613) 732-3687 • fax: (613) 732-9838

web: www.orpowercorp.com

June 19, 2007

Mr. Mark Garner
Managing Director- Market Operations
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Garner:

RE: Supply Contract with Brookfield Energy Management

Ottawa River Power Corporation is in the process of renegotiating a supply contract for energy from Brookfield Energy Management (BEMI) from their Waltham Generating Station on the Black River in Quebec. ORPC purchases about 25% of our load requirement from BEMI. This is a historic relationship which dates back to the turn of the century when generation and distribution in the Pembroke area, and the adjacent area in Quebec, was served by Pembroke Light and Power Company. Over the years, corporate structures have changed and now Hydro Pontiac, a division of Brookfield Energy, generates power and sells it to Hydro Quebec and Ottawa River Power.

The current contract, that is being renegotiated, was established in 2002 at a time when the market in Ontario was still evolving. The OEB was consulted as part of the process and, ultimately, a contract was signed that allowed for the purchase of energy at the HOEP plus an additional charge of \$2.48/kW that represented 50% of the savings to the customers of ORPC for the transmission and network charges.

As we negotiate the new contract, the question of the additional savings to ORPC customers, as a result of the directive of the OEB in April 2005 on market charges, has been raised. In a similar approach to the transmission and network charges, BEMI would like to share the benefit of the market charges with our customers. This additional amount would support the cost of operating and maintaining 25 km of double circuit 44 kV line from Waltham to Pembroke.

From a LDC viewpoint, we would like to seek guidance of the OEB on whether we have the latitude to contract for the sharing of the market charges with a generator. If we can provide any additional information to assist in the request, please let me know.

Yours truly,

Douglas Fee, P.Eng.
President

Cc: M. Soucy, BEMI

Ontario Energy
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27th Floor
Toronto ON M4P 1E4
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Commission de l'énergie
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Compliance Office

February 22, 2008

Board File #: CO-2007-0060

Mr. Douglas Fee, P.Eng
President
Ottawa River Power Corporation
283 Pembroke Street West
P.O. Box 1087
Pembroke, ON K8A 6Y6

Re: Supply Contract with Brookfield Energy Management

Dear Mr. Fee,

The letters that Ottawa River Power Corporation ("ORPC") sent to the Ontario Energy Board ("OEB") on July 19, 2007 and November 20, 2007 have been forwarded to the Compliance Office for review and response. ORPC has asked for guidance relating to the renewal of a contract with Brookfield Energy Management ("BEMI") to purchase electricity supply from BEMI's Waltham generating station.

According to the information you have provided, in 2002, ORPC entered into a contract to purchase electricity from BEMI's Waltham generating station, which is located outside of OPRC's licensed service area. The contract price is set at the Hourly Ontario Energy Price ("HOEP") plus \$2.48/kW, which represents 50% of the savings to customers of ORPC for the transmission and network charges. As you are now negotiating a new contract, you are seeking clarification as to whether OPRC can continue to share the market charge savings with the generator.

The OEB's Retail Settlement Code ("RSC") and the Standard Supply Service Code ("SSS Code") set out the regulatory provisions that govern a licensed electricity distributor's payments to an embedded retail generator.

8Section 3.2 of the RSC states in the last paragraph on page 12:

*"A distributor shall purchase energy from an embedded retail generator within its service area ... **The price at which such energy sales shall be settled will be the competitive electricity price as described in Appendix "A" to the Code.** ... where an embedded retail generator has a contract with the Ontario Power Authority ... a distributor shall settle all applicable payments ... in accordance with the pricing provisions of the contract"* (emphasis added)

Appendix "A" of the RSC states that:

"The hourly price to be used in the determination of any of the calculations shall be the Hourly Ontario Energy Settlement Price published by the IMO for the settlement hour."

The SSS Code also sets out requirements a distributor must follow when providing standard supply service to its customers. Section 2.2.2 of the SSS Code states:

*"A distributor shall obtain the electricity required to fulfill its standard supply service obligation through the IESO-administered markets, from an embedded retail generator (as defined in the Retail Settlement Code) **located within the distributor's licensed service area** in accordance with the Retail Settlement Code"* (emphasis added)

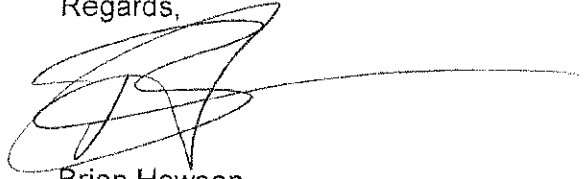
Based on these provisions, it is my view that ORPC would be non-compliant with the RSC, if ORPC paid anything more than HOEP for the electricity it purchases from BEMI. There is also no provision in the RSC, the SSS Code, or ORPC's license that provides authority to a distributor to acquire energy from a generator outside of its service area. If ORPC wishes to continue to contract with BEMI, it would need to seek an exemption from the above noted RSC and SSS Code provisions.

I expect that ORPC will take steps to address the compliance concerns I have identified in this letter, either by applying to the Board for exemptions from the relevant sections of the RSC and the SSS Code or by no longer purchasing electricity supply from BEMI.

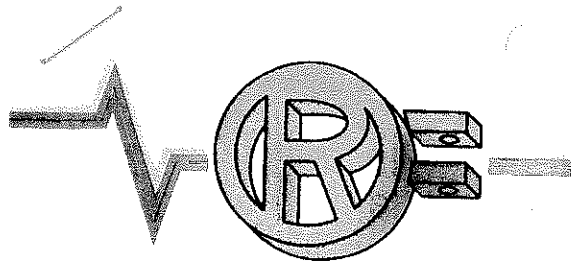
Please provide me with an action plan outlining the steps ORPC will be taking in order to become compliant by March 31, 2008. If you would like to discuss the content of this letter or have any questions or concerns, please do not hesitate to contact me at (416) 440-7628, or Paul Gasparatto, Project Advisor at (416) 440-7724.

The views expressed in this letter are mine and are not binding on the Board. Although no statutory power of decision has been delegated to me, I may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998*, in relation to non compliance.

Regards,

A handwritten signature in black ink, consisting of a stylized 'B' and 'H' followed by a long horizontal line extending to the right.

Brian Hewson
Chief Compliance Officer



Ottawa River Power Corporation

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February 28, 2008

Mr. Brian Hewson
Chief Compliance Officer
Ontario Energy Board
PO Box 2319, 1300 Yonge Street
27th Floor
Toronto ON M4P1E4

Dear Mr. Hewson:

Re: Supply Contract with Brookfield Energy Management

Thank you for your letter of February 22, 2008 regarding the above matter. I was surprised at the response you provided and the fact that our question had led to a compliance direction.

In a meeting that was held on June 24, 2002, this matter was discussed and it was decided that ORPC could contract with Brookfield Energy (at that time Maclaren Energy Inc.) using the Hourly Ontario Energy Price and, further, a delivery rate could be negotiated. It was also indicated that no regulatory direction from the OEB to ORPC would be required. Present at that meeting were Ms. Suzanne Tong (OEB), Mr. Russ Houldin (OEB), Mr. Murray Moore (ORPC) and Mr. Paul Jutras (Maclaren Energy Inc.).

Could you kindly review the OEB records from that meeting and reconsider the question that was raised in our July 19, 2007 letter. We would also ask that the deadline of March 31, 2008 for having a plan in place be extended for a few months to allow sufficient time to sort out this matter.

The supply from Waltham to Pembroke has been in place since 1905 and provides an important service that has been of great benefit to the hydro customers in Pembroke. If it is found that there was an error made when this was originally discussed, we will certainly want to seek an exemption from the Board.

Yours truly,

Douglas Fee, P.Eng.
President

cc Michel Soucy, BEMI
Bob Sheppard, Q.C.

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"A Proud Locally Owned Municipal Utility"

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MAR 18 2008

Attachment 7

Ontario Energy
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Compliance Office

March 12, 2008

Board File #: CO-2007-0060

Mr. Douglas Fee, P. Eng
President
Ottawa River Power Corporation
283 Pembroke Street West
P.O. Box 1087
Pembroke, ON K8A 6Y6

Re: Supply Contract with Brookfield Energy Management

Dear Mr. Fee,

I am writing in response to your letter dated February 28, 2008, in which you responded to my letter regarding certain regulatory issues relating to Ottawa River Power Corporation's ("ORPC") proposed contract to purchase electricity from Brookfield Energy Management. In my letter I explained that it is my view that the proposed contract would not be compliant with certain requirements of the Retail Settlement Code ("RSC") and the Standard Supply Service Code ("SSSC").

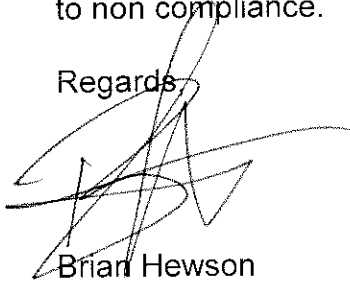
In your letter, you referred to a meeting that took place with the Ontario Energy Board staff in June 2002, in which it was indicated that no regulatory direction from the OEB would be required to contract with Brookfield Energy. Despite what was communicated in that meeting, in my opinion, the contract you are proposing to enter does not comply with several regulatory requirements in the RSC and the SSSC. Compliance with the RSC and SSSC are conditions of ORPC's electricity distribution license and may not be ignored or overlooked. Therefore, in order to purchase supply from the Waltham generating station, in a compliant manner, ORPC must apply to the Board for exemptions from the relevant sections of the RSC and the SSS Code.

I agree to your request for an extension to the deadline to provide an action plan to resolve this matter by March 31, 2008. I now request that you provide an action plan, or acknowledgement that you intend to seek the required exemptions, by May 30, 2008.

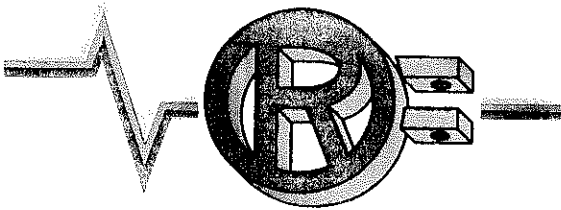
If you would like to discuss the content of this letter or have any questions or concerns, please do not hesitate to contact me at (416) 440-7628, or Paul Gasparatto, Project Advisor at (416) 440-7724.

The views expressed in this letter are mine and are not binding on the Board. Although no statutory power of decision has been delegated to me, I may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998*, in relation to non compliance.

Regards,

A handwritten signature in black ink, appearing to be 'Brian Hewson', written over the word 'Regards,'.

Brian Hewson
Chief Compliance Officer



Ottawa River Power Corporation

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May 20, 2008

Mr. Brian Hewson
Chief Compliance Officer
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Dear Mr. Hewson:

**RE: Supply Contract with Brookfield Energy Management
Your File CO-2007-0060**

In reference to your letter of March 12, 2008 regarding the purchase of energy from Brookfield Energy, we have decided, following discussions with Brookfield, to make application to the OEB for an exemption to allow for the continuation of a purchase arrangement. The Pembroke area has benefited from a supply from the Waltham Dam since 1904.

I shall call you or Mr. Gasparatto to obtain the application requirements for the exemption.

As we prepare our application, it would be useful to have the notes that were prepared by the OEB staff as a result of the June 24th, 2002 meeting on this issue. Are there records available that we could obtain copies?

Yours truly,

Douglas Fee, P.Eng.
President

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*Earlier Version of***Ontario Energy Board****Standard Supply Service Code**

standard supply service to a person who is connected to the distributor's distribution system and purchases electricity from a retailer if:

- (a) the person or the retailer acting on behalf of the person informs the distributor in writing that the person wishes to purchase electricity from the distributor;
- (b) the person or the retailer acting on behalf of the person informs the distributor that the retailer is unable to sell electricity to the person; and
- (c) the person or the retailer acting on behalf of the person provides the distributor with the following information:
 - the date after which service no longer will be provided by the retailer, subject to the final meter reading date;
 - the person's account number with the distributor or address; and
 - other information necessary for implementing a change in service that may be required by the Board.

- 2.1.4 If a request under clause 2.1.2 or 2.1.3 is made to a distributor directly by the person, the distributor shall notify such person's retailer in writing of the request within ten (10) days of the request.

2.2 Fulfillment of the Standard Supply Service Obligation

- 2.2.1 A distributor shall provide standard supply service for one hundred per cent (100%) of the electricity consumed by a standard supply service customer.
- 2.2.2 A distributor that chooses to fulfill its standard supply service obligation directly shall purchase the electricity required to fulfill its obligation to sell electricity to consumers under standard supply service directly from the IMO-administered spot market.
- 2.2.3 If a distributor chooses to fulfill its standard supply service obligation through a third party, the distributor shall ensure its contract with the third party meets all conditions established by the Board, and shall take all reasonable steps to ensure that the third party:
- (a) is licensed to retail electricity under Part V of the Act; and
 - (b) is able to fulfill the distributor's obligations to provide standard supply service; and
 - (c) fulfills reasonable prudential requirements and other conditions specified by the distributor or the Board.