

March 4, 2002

BY COURIER

Paul Pudge
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, Ontario
M4P 1E4

Dear Sir:

**Re: Application by Ontario Power Generation, Inc. for a Compliance Order
and Licence Amendment in relation to Hydro One Networks Inc.**

Attached please find ten copies of an Application by Ontario Power Generation, Inc. for an order, or orders, requiring Hydro One Networks Inc. to immediately remove the "No Bypass" clause (section 25) from all existing Connection and Cost Recovery Agreements, to refrain from including this or a similar clause in future Connection and Cost Recovery Agreements, to amend Hydro One's Transmission Licence to prevent it from imposing any terms and conditions of service on customers other than those approved by the Board, and directing Hydro One to pay all of OPG's costs related to the bringing of this Application to the Board.

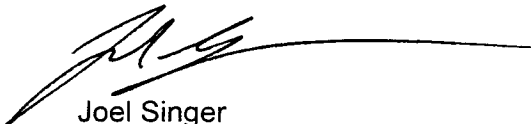
I have arranged for copies of this Application to be served on Hydro One Networks Inc. I will provide evidence of this service to the Board in due course.

As this Application could affect all of the customers connected to Hydro One Networks Inc.'s transmission system OPG recommends that the Board issue a Public Notice and direct the Applicant to arrange for publication covering the entire province.

OPG would respectfully request the Board's early attention to this matter in order to protect the rights of connecting customers.

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

Yours truly,



Joel Singer

cc: D. W. Drinkwater, OPG
M. Bermon, Hydro One Networks Inc.
L. Formusa, Hydro One Networks Inc.



ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. (“OPG”) for an Order directing Hydro One Networks Inc. (“Hydro One”) to remove section 25, the “No Bypass” section, from all its Connection and Cost Recovery Agreements (“CCRA”);

AND IN THE MATTER OF an Application by OPG for an Amendment to Hydro One’s Transitional Transmission Licence (ET-0332) restraining Hydro One from abusing its monopoly position to force customers to sign agreements, or subject them to Terms and Conditions of Service, not approved by the Ontario Energy Board (“OEB” or “Board”);

AND IN THE MATTER OF an Application by OPG for an Order directing Hydro One to pay all of OPG’s costs related to the bringing of this Application to the Board

APPLICATION

1. The Applicant is Ontario Power Generation Inc. OPG is a corporation incorporated pursuant to section 48 (1) of the *Electricity Act, 1998* (the Act), with its head office in Toronto. OPG is an Ontario based company whose principal business is the generation and sale of electricity to customers in Ontario and interconnected markets.
2. OPG operates under a Transitional Generation Licence (EG-0333), issued by the Board pursuant to section 129 (3) of the Act. Pursuant to this licence, OPG operates a number of generating stations in the province of Ontario that are connected to the transmission system operated by Hydro One, including the Lambton Generating Station in south-western Ontario.

3. OPG is presently installing selective catalytic reduction equipment (“SCRs”) at the Lambton Generating Station as part of a program designed to reduce emissions from this station. OPG’s overall SCR program involves the installation of two SCR units at Lambton and two SCR units at Nanticoke. The four units are expected to reduce OPG’s total NOx emissions by 12,000 tonnes per year. The Lambton project has received all required approvals and construction of the SCR facilities by OPG’s contractor is underway. The total cost for the Lambton SCR project is approximately \$125 million.
4. As part of the SCR project at Lambton, OPG requires some minor modifications to connection equipment owned by Hydro One. The cost of these modifications is approximately \$38,000. Prior to undertaking the connection work, Hydro One requires OPG to sign a CCRA developed by Hydro One. If the connection work is not completed then the SCR equipment can not be operated by OPG. OPG has no ability to force Hydro One to do the necessary work and Hydro One will permit no other party to do the work on its equipment required for the connection.
5. Section 25 of Hydro One’s CCRA (the “No Bypass” section) provides that the Generator “shall not Transmit or Distribute electricity using any of its equipment referred to in this Agreement to any load now or hereafter supplied from Hydro One’s Facilities or the facilities of any licensed distributor and if the Generator does so, the Generator shall pay Hydro One an amount equal to the avoided applicable Transmission Rates as if the load remained on Hydro One’s facilities or the facilities of the licensed electricity distributor, as the case may be, until the date that:
 - (i) Hydro One’s facilities or the facilities of the affected licensed electricity distributor are removed from service at end-of-useful-life; or

- (ii) Hydro One requires Hydro One's facilities for its own purposes or the affected electricity distributor requires its facilities for its own purposes. (25.1(a))."

Section 25.1 (b) of the CCRA extends this same prohibition to any third party. Sections 25.1 (c) provides that the Generator shall not use or permit any third party to use any of the Generator's equipment referred to in the CCRA for any purpose other than the Connection. Section 25.1 (d) extends these restrictions to any purchaser or lessee of the generating facility. Section 25.1 (e) incorporates section 25.1 into the Connection Agreement between the Generator and the transmitter. Section 25.2 indicates that the parties have the right to apply to the Board on issues covered by section 25.1. Section 25.3 indicates that the application of section 25.1 shall be in accordance with order of decisions of the Board or a court.

6. On February 22, 2002, OPG, concerned about the potential for delays to its Lambton SCR project, signed the CCRA. At the time it signed the CCRA, OPG reserved its rights with respect to section 25. OPG sent Hydro One a letter indicating that it was signing the CCRA under protest and that it would be applying to the Board for an order striking section 25 from the CCRA. OPG signed the CCRA only after several weeks of attempting to negotiate a resolution of the matter with Hydro One. The events leading up to the signing of the Agreement are set out in the attached affidavit of Dominic Catizzone.
7. Section 25 purports to place limits on OPG, and other parties requiring connection work by Hydro One, that do not otherwise exist in the statutes, Market Rules, or OEB licences and codes that define the Ontario electricity market and the conduct of parties in that market. The construction or use of facilities to bypass an existing transmission or distribution system is an issue for the appropriate regulatory bodies to decide, not the transmitter.

8. Hydro One's unilateral imposition of this condition is an abuse of monopoly power designed primarily to protect the commercial interests of Hydro One by preventing the construction of competing transmission and distribution facilities that would otherwise be allowed under law. The imposition of this condition is contrary to sections 12(1), 12(2), 12(3), 13(4), 13(5), and 16(1) Hydro One's Transitional Transmission Licence (ET-0332), sections 4.1.1 and 4.1.4 of the Board's Transmission System Code, the Board's Decision and Rate Order in RP-1999-0044 and contrary to section 1.2 of the *OEB Act, 1998*.
9. The Board has a long history with the issue of bypass as reflected in past decisions (e.g., EBRO 410-1, 411-1, 412-1; EBRO 471 CP Forest Product Ltd.). In its earlier decisions, the Board did not prohibit bypass and indicated that it may be appropriate in certain circumstances; the Board stated that it would need to consider applications for bypass on a case by case basis. In its recent Decision in RP-1999-0044, the Board approved net load billing for network transmission charges – clearly a method of bypassing network transmission facilities. Hydro One's attempt to prevent any form of bypass through its CCRA is a direct challenge to the Board's authority in this area and is contrary to the Board's recent Decision in RP-1999-0044.
10. OPG hereby applies to the Board pursuant to sections 75(1), 74 and 30 of the *OEB Act, 1998* for:
 - An order requiring Hydro One to act in accordance with the terms of its Licence and directing Hydro One to immediately remove section 25 from all existing CCRA's, including Transmission Connection Agreements, and to refrain from inserting section 25 or similar wording in future Agreements;
 - An order amending Hydro One's Transitional Transmission Licence (ET-0332) to include a condition preventing Hydro One from abusing its monopoly position to force customers to sign

agreements, or subject them to Terms and Conditions of Service, not approved by the Board; and,

- An order directing Hydro One to pay all of OPG's costs related to the bringing of this Application to the Board.
11. OPG respectfully requests that the Board deal with this Application at its earliest convenience so as to avoid delays in future projects and bring certainty on this issue.
 12. OPG proposes the following title for the proceeding that is commenced by this Application: Ontario Power Generation Inc. Removal of Section 25 (The "No Bypass" Section) from Hydro One's Connection and Cost Recovery Agreement.
 13. This Application will be supported by written evidence and will be supplemented by oral evidence as the Board directs. The written evidence has been filed with this Application. The written evidence may be supplemented or amended, from time to time, prior to, or during the course of any oral hearing, which the Board holds in this proceeding.
 14. The Applicant further applies to the Board pursuant to the provisions of the Act, and the Board's *Rules of Practice and Procedure* for such final and interim Orders and direction as may be necessary in relation to the Application and the proper conduct of this proceeding.
 15. The persons affected by this Application are all potential generators and customers connected to Hydro One's transmission system. It is impractical to set out their names and addresses because they are too numerous.

16. The Applicant requests that a copy of all documents filed with the Board by each party to this proceeding be served on the Applicant and the Applicant's counsel in this proceeding, as follows:

(a) The Applicant: Mr. Joel Singer,
Vice President Regulatory Affairs
Ontario Power Generation Inc.

Address for personal service: H18 G1
700 University Avenue
Toronto ON M5G 1X6

Mailing address: H18 G1
700 University Avenue
Toronto ON M5G 1X6

Telephone: 416-592-8770

Facsimile: 416-592-8519

Electronic mail: joel.singer@opg.com

(b)(i) The Applicant's Counsel: Michael Penny

Address for personal service: Suite 3000, Maritime Life Tower
79 Wellington Street West
Box 270, TD Centre
Toronto, Ontario M5K 1N2

Telephone: (416) 865 - 7526

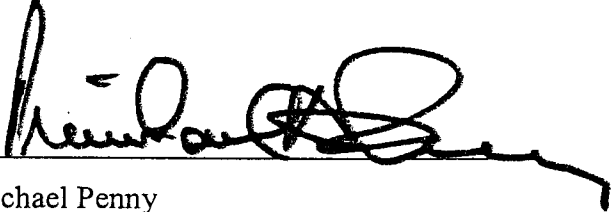
Facsimile: (416) 865 - 7380

Electronic mail: mpenny@torys.com

Dated at Toronto, Ontario, this 4th day of March, 2002.

Ontario Power Generation Inc.

by its counsel in this proceeding



A handwritten signature in black ink, appearing to read "Michael Penny", is written over a horizontal line. The signature is stylized and cursive.

Michael Penny

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. ("OPG") for an Order directing Hydro One Networks Inc. ("Hydro One") to remove section 25, the "No Bypass" section, from all its Connection and Cost Recovery Agreements ("CCRA");

AND IN THE MATTER OF an Application by OPG for an Amendment to Hydro One's Transitional Transmission Licence (ET-0332) restraining Hydro One from abusing its monopoly position to force customers to sign agreements, or subject them to Terms and Conditions of Service, not approved by the Ontario Energy Board ("OEB" or "Board");

AND IN THE MATTER OF an Application by OPG for an Order directing Hydro One to pay all of OPG's costs related to the bringing of this Application to the Board.

AFFIDAVIT OF DOMINIC CATIZZONE

I, Dominic Catizzone, of the City of Toronto, in the Province of Ontario,

MAKE OATH AND SAY:

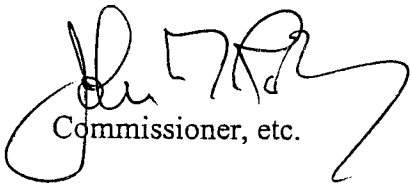
1. I am employed as Project Manager, Selective Catalytic Reduction Project ("SCR project") by Ontario Power Generation, Inc. ("OPG"), and as such I have knowledge of the facts deposed herein. I have been employed by OPG and its predecessor, Ontario Hydro, for over 31 years.
2. I have personal knowledge of certain of the matters set forth in this Affidavit, and the remainder of the information contained herein has been provided to me in the course of my employment as manager of OPG's SCR Project.

3. The SCR project involves the installation of selective catalytic reduction equipment at OPG's Lambton and Nanticoke stations as part of OPG's NOx reduction plans. Selective catalytic reduction is a proven technology to reduce nitrous oxides (NOx) emissions from fossil-fueled electricity generating stations. It has been used successfully for the past 20 years in Europe and Japan, and more recently in the United States.
4. OPG is installing four of these units, two at Lambton GS, which will go into service in November 2002, and May 2003, and two at Nanticoke, which will go into service in May 2003, and November 2003. The four units are expected to reduce OPG's total NOx emissions by about 12,000 tonnes per year. The total cost of installing the SCRs at Lambton is approximately \$125 million.
5. As part of the SCR Project at Lambton, OPG is installing larger Reserve Station Service Transformers (RSSTs). This change in plant equipment requires approval from the IMO. The first step in gaining this approval was the submission of a Connection Assessment Application on August 9, 2001. In response, the IMO and Hydro One assessed the impact of the equipment change on the station's connection and the transmission system.
6. Hydro One advised OPG that based on their technical assessment, some changes to the existing connection were advisable. OPG, the contractor for the SCR project and Hydro One entered into working level discussions to finalize the design, develop a detailed scope and schedule for this work. The design included some necessary, albeit minor, changes to Hydro One's equipment. The estimated cost of the work on Hydro One's equipment was approximately \$38,000. This work is to be performed by Hydro One and paid for by OPG. Hydro One also advised OPG that it would have to sign a Connection and Cost Recovery Agreement ("CCRA") prior to Hydro One undertaking the required connection work.
7. On January 9, 2002 Hydro One provided OPG with a copy of its proposed CCRA. Upon review, OPG identified a number of objectionable clauses in the CCRA and in particular

Section 25, the "No Bypass" clause. OPG asked that the "No Bypass" clause be removed from the CCRA. Hydro One advised OPG that they would not remove the section.

- 8. Over the next several weeks, staff from OPG and Hydro One attempted to negotiate a resolution to the "No Bypass" clause issue. In the end these negotiations failed.
- 9. Hydro One was unwilling to remove the clause and was not prepared to do the necessary work on the Lambton connection without a signed CCRA. Without the necessary connection work OPG would be unable to operate its SCR equipment and thus the project could not go forward.
- 10. With delays to the SCR project schedule imminent, OPG had no choice but to sign the CCRA with the "No Bypass" clause included prior to bringing this Application. The CCRA was signed under protest by OPG on February 22, 2002. By letter dated February 25th, 2002, OPG advised Hydro that it was signing the CCRA under protest and that it would be filing an application with the Ontario Energy Board seeking to have the "No Bypass" clause struck from this and all other CCRA's.
- 11. A true copy of the CCRA that OPG eventually signed is attached as exhibit "A". A true copy of OPG's letter to Hydro One is attached as exhibit "B".

Sworn before me at the City of Toronto)
on March 4th, 2002.)


Commissioner, etc.

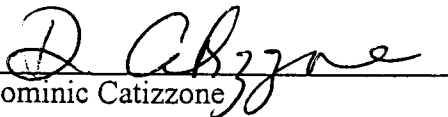

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Dominic Catizzone

Exhibit A

The attached document is exhibit "A" to the Affidavit of
Dominic Catizzone

Sworn before me at the City of Toronto
in the Province of Ontario

this 4th day of March, 2002.



A Commissioner, etc.

THIS CONNECTION AND COST RECOVERY AGREEMENT made in duplicate as of the 22 day of February, 2002, between Hydro One Networks Inc. ("Hydro One") and Ontario Power Generation Inc. (the "Generator" or "OPG");

WHEREAS the Generator and Hydro One are parties to an agreement for \$10,000.00 to carry out a Connection Study Cost Estimates dated the 1st day of October, 2001 (the "CSCE");

WHEREAS the Generator has engaged Babcock & Wilcox Canada Ltd., who, in turn, subcontracted certain work to Stone & Webster Canada L.P. ("the Consultant"), a member of The Shaw Group Inc. of companies, to be their technical adviser for the Connection project;

WHEREAS Hydro One is agreeable to performing the work required for the Connection on the following terms and conditions; and

NOW THEREFORE in consideration of the mutual covenants, agreements, terms and conditions herein and other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the parties agree as follows:

1. Each of the Parties hereto confirms the truth and accuracy of the recitals and agrees that the recitals form part of this Agreement.

2. Subject to Section 29 and the termination rights herein, this Agreement shall be in full force and effect and binding on the parties as of the date first written above (the "Effective Date") and shall expire on the Ready for Service Date (the "Term").

Representations and Warranties

3. Each party represents and warrants to the other that:

- (a) it has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder; and
- (b) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated herein have been duly authorized by all necessary corporate action on its part.

Hydro One Connection Work

4. Hydro One shall perform the Hydro One Connection Work in a manner consistent with Good Utility Practice and the Transmission System Code and in compliance with all Applicable Laws.

5. Hydro One's responsibilities under this Agreement with respect to the Connection are limited to the performance of the Hydro One Connection Work.

6. Notwithstanding Section 5 above, Hydro One shall use reasonable efforts to obtain warranties for the Connection Materials that are transferable to the Generator in the event that the Generator takes title to the Connection Materials in accordance with the terms of this Agreement.

7. Except as provided herein, Hydro One makes no warranties, express or implied, and Hydro One disclaims any warranty implied by law, including implied warranties of merchantability or fitness for a particular purpose and implied warranties of custom or usage with respect to the Hydro One Connection Work.

8. Hydro One shall comply with the terms and conditions of access attached hereto as Schedule "H" when accessing the Generator's Facilities or site.

9. The Hydro One Connection Work and Hydro One's rights and requirements hereunder, including, but not limited to:

- (i) Hydro One's specifications of the protection equipment on the Generator's side of the Connection Point;
- (ii) Hydro One's acceptance of power system components on the Generator's side of the Connection Point; and
- (iii) Hydro One's acceptance of the technical specifications (including electrical drawings) for the Generator's Facilities;

are solely for the protection of Hydro One's transmission system and for no other purpose.

10. Hydro One shall use reasonable efforts to complete the Hydro One Connection Work by the date specified as the Ready for Service Date in Schedule "C" provided that:

- (a) the Generator executed and returned this Agreement to Hydro One by no later than the date specified as the Execution Date in Schedule "C";
- (b) the Generator has completed the Generator Connection Work in accordance with the terms and conditions of this Agreement;
- (c) the Generator is in compliance with its obligations under this Agreement;
- (d) any work required to be performed by third parties has been performed in a timely manner and in a manner to the satisfaction of Hydro One, acting reasonably;
- (e) there are no delays resulting from Hydro One not being able to obtain outages from the Independent Electricity Market Operator (IMO) required for the Hydro One Connection Work;

- (f) Hydro One does not have to use its employees, agents and contractors performing the Hydro One Connection Work elsewhere on its transmission system or distribution system due to an Emergency (as that term is defined in the Transmission System Code) or an event of force majeure;
- (g) Hydro One is able to obtain the materials required to perform the Hydro One Connection Work with the expenditure of Premium Costs where required;

11. Upon completion of the Hydro One Connection Work, Hydro One shall own, operate and maintain all equipment referred to in Schedule "G" except as set out in section D of the definition of Generator Property(ies).

Generator's Obligations – Connection

12. Except as specifically provided herein, the Generator is responsible for obtaining any and all permits, certificates, reviews and approvals required under any Applicable Laws for the construction, connection and operation of the Generator's Facilities.

13. In addition to its obligations under Section 12 above, the Generator is responsible for meeting the requirements of the IMO which is the entity responsible for approving the Connection and will set the limits on the operation of the New Facility. The aforementioned requirements, include, but are not limited to, the Generator entering into any agreements required by the IMO in order to permit the Connection and the Generator complying with Sections 6.1.22 and 6.1.23 of the *Market Rules*.

14. The Generator shall perform the Generator Connection Work at its own expense and in a manner consistent with Good Utility Practice and the Transmission System Code and in compliance with all Applicable Laws.

15. The Generator shall comply with the terms and conditions of access attached hereto as Schedule "H" when accessing Hydro One's Facilities or site.

16. The Generator acknowledges and agrees that:

- (a) it shall provide, operate and maintain all power system components on the Generator's side of the Connection Point, including, without limitation, all transformation, switching, metering and auxiliary equipment such as protection and control equipment;
- (b) all of the power system components referred to in Subsection 16(a) above are subject to the acceptance of Hydro One with regard to Hydro One's requirements to permit Connection; and
- (c) it shall provide technical specifications for the Generator's Facilities as required for Hydro One's reviews. Until Hydro One has accepted the technical specifications (including electrical drawings) for the Generator's Facilities and accepted the Generator's

verification of those portions of the Generator's electrical facilities affecting Hydro One's transmission system, Hydro One shall not be bound to complete the Hydro One Connection Work.

17. Upon completion of the Hydro One Connection Work, the Generator acknowledges and agrees that:

- (a) it shall continue to provide separate telecommunication circuits for the metering and SCADA requirements and will do so for as long as the Generator's Facilities remain connected to Hydro One's transmission system;
- (b) ownership and title to the equipment referred to in Section 11 above shall throughout the Term and thereafter remain vested in Hydro One and the Generator shall have no right of property therein except as set out in section D of the definition of Generator Property(ies);
- (c) unless specified otherwise in Schedule "D" or in the Connection Agreement, the Generator's Facilities' equipment shall not be allowed to automatically reclose after an interruption unless the Generator has specific prior approval from Hydro One;
- (d) provide Hydro One with copies of the documentation specified in Schedule "D", acceptable to Hydro One, by no later than 60 days after the In Service Date and the Generator shall ensure that Hydro One may retain this information for Hydro One's ongoing planning, system design, and operating review; and
- (e) maintain and revise the documentation referred to in Subsection 17(c) above to reflect changes to the Generator's Facilities and provide copies to Hydro One on demand or as specified in the Connection Agreement.

Cost of Hydro One Connection Work

18. The Generator shall pay the Actual Cost of the Hydro One Connection Work which is estimated to be the amount specified in Schedule "D" (plus applicable taxes) in the manner specified in Schedule "D".

Within 120 days after the Ready for Service Date, Hydro One shall provide the Generator with a final invoice or credit memorandum which shall indicate whether the amounts already paid by the Generator exceeds or is less than the Actual Cost of the Hydro One Connection Work. Any difference between the Actual Cost (plus applicable taxes) and the amount already paid by the Generator shall be paid within 60 days after the rendering of the said final invoice or credit memorandum, by Hydro One to the Generator, if the amount already paid by the Generator exceeds the Actual Cost (plus applicable taxes), or by the Generator to Hydro One, if the amount already paid by the Generator is less than the Actual Cost (plus applicable taxes).

19. In addition to the final invoice or credit memorandum to be provided by Hydro One in accordance with Section 18 above, Hydro One shall also provide the Generator with a Statement of Actual Costs in the form attached hereto as Schedule "E".

20. Intentionally deleted.

21. Hydro One will obtain the Generator's approval prior to Hydro One authorizing the purchase of materials or the performance of work that will attract Premium Costs. Premium Costs are in addition to the costs payable by the Generator pursuant to Section 18 hereof.

The Generator acknowledges that its failure to approve an expenditure of Premium Costs may result in further delays and Hydro One will not be liable to the Generator as a result thereof. The Generator shall pay any prior-approved Premium Costs within 60 days after the date of Hydro One's invoice therefor. Interest shall be payable at the rate of 18 per cent per year on all overdue payments. The obligation to pay any amount hereunder shall survive the termination of this Agreement.

22.1(a) If the Project is cancelled, this Agreement is terminated for any reason whatsoever other than breach of this Agreement by Hydro One, the Generator shall pay Hydro One's Actual Costs incurred on and prior to the date that the Project is cancelled or this Agreement is terminated, including the preliminary design costs and all costs associated with the winding up of the Project, including, but not limited to, storage costs, facility removal expenses and any environmental remediation costs.

(b) If the Generator wishes to defer the Connection, the Parties will negotiate the terms of such deferral.

22.2. Upon the occurrence of any of the events listed below, all Connection Materials ordered for the Project will be dealt with in accordance with this Section 22.2:

- (i) the Project is cancelled; or
- (ii) this Agreement is terminated for any reason whatsoever other than breach of this Agreement by Hydro One:

(a). Subject to the terms and conditions of each purchase order in respect of the Connection Material, the Generator shall have the right to notify Hydro One in writing as to when which purchase orders are to be cancelled. Hydro One shall, upon receiving such written notice, notify each supplier of the cancellation of the applicable purchase orders. With respect to those purchase orders not cancelled or otherwise not cancellable, Hydro One and the Generator will agree as to the period within which Hydro One shall provide written notice to the Generator listing the individual items of Connection Material it will purchase. Hydro One shall refund the Generator any amounts the Generator has already paid

Hydro One for these items less Hydro One's Actual Costs of procuring the Connection Materials, having the Connection Materials delivered and storing same.

(b) With respect to the remainder of the Connection Materials that are not being purchased by Hydro One under Subsection 22.2(a) above, the Generator shall have the following options:

1) where Connection Materials have been ordered but all or part of the Connection Materials have not been received by Hydro One, the Generator shall have the right to require Hydro One, at the Generator's sole expense and discretion, to:

- (i) continue with the purchase of the Connection Material and transfer title to the Connection Material on an "as is, where is basis" to the Generator upon the Generator paying Hydro One the Actual Costs of procuring the Connection Material. The Generator shall be responsible for taking delivery of the Connection Material at its sole expense; or
- (ii) where possible, pay the cancellation costs associated with the cancellation of the order whereby Hydro One will refund the difference between the amounts provided by the Generator hereunder and the cancellation costs provided that the Generator has paid Hydro One's Actual Costs of procuring the Connection Material.

If the Generator does not exercise either of the above options or a combination thereof by no later than 30 days after Hydro One provided written notice to the Generator listing the individual items of Connection Material which it will purchase in accordance with Subsection 22.2(a) above, Hydro One will proceed, where possible, as if the Generator exercised the option described in Subsection 22.2(b)1(ii) and for any Connection Material where 22.2(b)1(ii) is not possible, proceed in accordance with subsection 22.2(b)1(i).

2) where all or part of the Connection Materials have been received by Hydro One, the Generator shall have the right to require Hydro One, at the Generator's sole expense and discretion, to

- (i) transfer title to the Connection Material on an "as is, where is basis" to the Generator upon the Generator paying the Actual Costs of procuring the Connection Materials, having the Connection Materials delivered and storing same; or
- (ii) provided that the parties can agree on a salvage value for the Connection Material, pay the Generator the salvage value of the Connection Material and any accrued interest; provided that

the Generator has paid Hydro One the Actual Costs.

If the Generator does not exercise either of the above options or a combination thereof by no later than 30 days after Hydro One provided written notice to the Generator listing the individual items of Connection Material which it will purchase in accordance with Subsection 22.2(a) above Hydro One will proceed, as if the Generator exercised the option described in subsection 22.2(b)2(i).

22.3 The Generator shall pay the Actual Costs referred to in Sections 22.21 and 22.2 above within 60 days after the date of Hydro One's invoice therefor. Interest shall be payable at the rate of 18 per cent per year on all overdue payments. The obligation to pay any amounts under Sections 22.1 and 22.2 shall survive the termination of this Agreement.

23. In the event that the Generator sells, leases or otherwise transfers or disposes of all or part of the Generator's Facilities to a third party during the Term of this Agreement, the Generator shall cause the purchaser, lessee or other third party to whom the Generator's Facilities are transferred or disposed to enter into an assumption agreement with Hydro One to assume all of the Generator's obligations in this Agreement; and notwithstanding such assumption agreement, the Generator shall remain obligated to pay the amounts thereafter payable pursuant to Sections 18, 21, 22.1, 22.2 and 29 hereof by the purchaser, lessee or other third party in the case of a transfer or disposition.

Security Requirements

24. By no later than the date specified in Schedule "D" as the Security Date, the Generator shall provide Hydro One with security as specified in Schedule "D".

No By-Pass

25.1 The Generator:

(a) shall not Transmit or Distribute electricity using any of its equipment referred to in this Agreement to any load now or hereafter supplied from Hydro One's Facilities or the facilities of any licensed electricity distributor and if the Generator does so, the Generator shall pay Hydro One an amount equal to the avoided applicable Transmission Rates as if the load remained on Hydro One's Facilities or the facilities of the licensed electricity distributor, as the case may be, until the date that:

(i) Hydro One's Facilities or the facilities of the affected licensed electricity distributor are removed from service at end-of-useful-life; or

(ii) Hydro One requires Hydro One's Facilities for its own purposes or the affected electricity distributor requires its facilities for its own purposes.

(b) shall not permit any third party to Transmit or Distribute electricity using or by connecting to any of the Generator's equipment referred to in this Agreement to any load now or hereafter supplied from Hydro One's Facilities or the facilities of any licensed electricity distributor and if the Generator does so, the Generator shall pay Hydro One an amount equal to the avoided applicable Transmission Rates as if the load remained on Hydro One's Facilities or the facilities of the licensed electricity distributor until the date that:

(i) Hydro One's Facilities or the facilities of the affected licensed electricity distributor are removed from service at end-of-useful-life; or

(ii) Hydro One requires Hydro One's Facilities for its own purposes or the affected electricity distributor requires its facilities for its own purposes.

(c) shall not use or permit any third party to use any of the Generator's equipment referred to in this Agreement for any purpose other than the Connection; and if it uses or permits a third party to use the said equipment for any other purpose, the Generator shall pay Hydro One an amount equal to the avoided applicable Transmission Rates as if the load remained on Hydro One's Facilities, until the date that:

(i) Hydro One's Facilities are removed from service at end-of-useful-life; or

(ii) Hydro One requires Hydro One's Facilities for its own purposes.

(d) shall cause the purchaser, lessee or other third party to whom the Generator sells, leases, or otherwise transfers or disposes of any of the Generator's equipment referred to in this Agreement to enter into an assumption agreement with Hydro One to assume all of the Generator's obligations under this Section 25.1 and notwithstanding such assumption agreement, the Generator shall remain obligated to pay the amounts thereafter payable pursuant to this Section 25.1 by the purchaser, lessee or other third party in the case of a transfer or disposition.

(e) agrees that this Section 25.1 will be a term of any Connection Agreement or such other agreement as required by the Transmission System Code that is applicable to the owner and/or operator of any of the Generator's equipment referred to in this Agreement.

25.2 Nothing contained within this Agreement, including, without limiting the generality of the foregoing, Section 25.1, shall preclude, prevent, prohibit or operate as a waiver of any of the Parties' rights to:

- (i) make application to the OEB;
- (ii) participate in any hearings before the OEB; or
- (iii) make any appeals to a Court of competent jurisdiction regarding any decision by the OEB,

with respect to any matter, issue, thing, interpretation, consideration or consequence whatsoever that is related to:

- A. the Transmission or Distribution of electricity to any load now or hereafter supplied from Hydro One's Facilities or the facilities of any licensed electricity distributor by the Generator or by a third party using any of the Generator's equipment referred to in this Agreement to supply said load;
- B. the interpretation or application of Section 25.1 above; and
- C. the Transmission and Distribution of electricity to any load now or hereafter supplied from Hydro One facilities other than the Hydro One Facilities or from facilities of any licensed electricity distributor by any other generator or by a third party.

25.3 Section 25.1 shall be subject to and applied in accordance with any Order or decision made by the OEB or any court with respect to any matter, issue, thing, interpretation, consideration or consequence that relates to:

- (i) the Transmission and Distribution of electricity to any load now or hereafter supplied from Hydro One's Facilities or the facilities of any licensed distributor by the Generator or by a third party using the Generator's equipment referred to in this Agreement to supply said load; and
- (ii) the terms and conditions of Section 25.1.

25.4 With respect to any Order or decision of the OEB or a court relating to the Transmission or Distribution of electricity to any load now or hereafter supplied from facilities other than Hydro One's Facilities or from the facilities of any licensed distributor by any generator other than by the Generator or by a third party, the parties acting reasonably shall agree in writing as to application of said Order or decision to Section 25.1 and to any amendments thereto.

25.5 Sections 25.1 to 25.4 inclusive shall survive the termination of this Agreement.

Delivery of Power Prior to Open Access

26. Intentionally Deleted.

Easement

27. If specified in Schedule "D" that an easement is required, the Generator shall or the Generator shall cause the third party specified in Schedule "D" to grant an easement to Hydro One substantially in the form of the easement attached hereto as Schedule "H" for the property described as the Easement Lands in Schedule "D" by no later than the date specified as the Easement Date in Schedule "D" (hereinafter referred to as the "Easement") with good and marketable title thereto, free of all encumbrances, first in priority except as noted herein, and in registerable form, in consideration of the sum of \$2.00.

The above Easement shall be for the Easement Term specified in Schedule "D" which will commence on the Easement Date provided that in the event that Hydro One removes the asset that is the subject of the Easement during the Easement Term, Hydro One shall surrender the Easement at that time. Subject to the foregoing, the Easement shall survive the termination of this Agreement.

Events of Default

28. Each of the following events shall constitute an "Event of Default" under this Agreement:

- (a) failure by the Generator to pay any amount due under this Agreement within the time stipulated for payment;
- (b) breach by the Generator or Hydro One of any term, condition or covenant of this Agreement;
- (c) the making of an order or resolution for the winding up of the Generator or Hydro One or of their respective operations or the occurrence of any other dissolution or liquidation proceeding instituted by or against the applicable party; and
- (d) any other Events of Default specified in Schedule "D".

29. In the Event of Default by the Generator hereunder (other than the Event of Default specified in Subsection 28(c) of this Agreement, for which no notice is required to be given by Hydro One), Hydro One shall give the Generator written notice of the Event of Default and allow the Generator 30 days from the date of receipt of the notice to rectify the Event of Default, at the Generator's sole expense. If such Event of Default is not cured to Hydro One's reasonable satisfaction within the 30-day period, Hydro One may, in its sole discretion, exercise the following remedy in addition to any remedies that may be available to Hydro One under the terms of this Agreement, at common law or in equity: deem this Agreement to be repudiated and, after giving the Generator at least 10 days' prior written notice thereof, recover, as liquidated damages and not as a penalty, the amounts payable by the Generator pursuant to Sections 18, 21, 22.1 and 22.2 hereof.

30. In the Event of Default by Hydro One hereunder, the Generator shall, except in the case of the default described in section 28(c) above, give Hydro One written notice of the Event of Default and shall allow Hydro One 30 days from the date of receipt of the notice to rectify the Event of Default at Hydro One's sole expense. If such Event of Default is not cured to the Generator's reasonable satisfaction within the 30-day period, the Generator may pursue any remedies available to it at law or in equity.

31. All rights and remedies of Hydro One and the Generator provided herein are not intended to be exclusive but rather are cumulative and are in addition to any other right or remedy otherwise available to Hydro One and the Generator respectively at law or in equity, and any one or more of Hydro One's and the Generator's rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy Hydro One or the Generator may have or may have exercised. The parties further agree that where any of the remedies provided for and elected by the non-defaulting party are found to be unenforceable, the non-defaulting party shall not be precluded from exercising any other right or remedy available to it at law or in equity.

In addition to any other remedy provided hereunder, all overdue amounts that are outstanding for longer than 60 days shall bear interest at 18% per annum.

Liability and Force Majeure

32. Other than for sums payable under this Agreement, the Generator shall only be liable to Hydro One and Hydro One shall only be liable to the Generator for any damages that arise directly out of the willful misconduct or negligence in meeting their respective obligations under this Agreement; and it shall not be negligence on the part of Hydro One to adhere to the instructions and directions of the Consultant.

Despite the foregoing, neither Party shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

Except with respect to physical injuries, death or damage to property wholly occasioned by Hydro One's or the Generator's willful misconduct or negligence, The total liability of Hydro One to the Generator and of the Generator to Hydro One for any and all claims for damages under this Agreement whether it arises by statute, contract, tort or otherwise, will not exceed the Actual Cost of the Hydro One Connection Work. In the case of physical injuries, death or damage to property wholly

occasioned by Hydro One's or the Generator's wilful acts, the total liability of Hydro One to the Generator and of the Generator to Hydro One will not exceed \$2,000,000.00.

This section 32 shall survive the termination of this Agreement and this Section 32 will not apply to any matter respecting the Generator other than the Hydro One Connection Work and the Generator Connection Work, including any other written agreement between the parties.

33. Neither party shall be considered to be in default in the performance of its obligations under this Agreement, except obligations to make payments with respect to amounts already accrued, to the extent that performance of any such obligation is prevented or delayed by any cause, existing or future, which is beyond the reasonable control of, and not a result of the fault or negligence of, the affected party ("Force Majeure") and includes, but is not limited to, strikes, lockouts and any other labour disturbances and manufacturer's delays for equipment or materials required for the Hydro One Connection Work.

If a party is prevented or delayed in the performance of any such obligation by Force Majeure, such party shall immediately provide notice to the other party of the circumstances preventing or delaying performance and the expected duration thereof. Such notice shall be confirmed in writing as soon as reasonably possible. The party so affected by the Force Majeure shall endeavour to remove the obstacles which prevent performance and shall resume performance of its obligations as soon as reasonably practicable, except that there shall be no obligation on the party so affected by the Force Majeure where the event of Force Majeure is a strike, lockout or other labour disturbance.

Mutual Obligations:

34. Within 30 days of the date hereof or another mutually agreed date, the Parties agree to establish a project management and communications protocol (the "Protocol") to be used by the Parties during the Term of this Agreement. The Protocol will address such matters as:

- (a) cancellation of outages;
- (b) proposed changes to the scope of work;
- (c) the contacts for day to day issues;
- (d) the manner in which information requests are to be made; and
- (e) how any other issues that may arise with respect to the Connection, including, but not limited to, the Hydro One Connection Work and the Generator Connection Work, are to be communicated to the other party.

35. Each party agrees that it shall at all times act reasonably in the performance of its obligations and the exercise of its rights under this Agreement.

General

36. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior oral or written representations and agreements concerning the subject matter of this Agreement. Schedules "A", "B", "C" "D", "E", "F", "G" and "H" attached hereto and any Figures referenced in those aforementioned Schedules are to be read with and form part of this Agreement.

37. The failure of any party hereto to enforce at any time any of the provisions of this Agreement or to exercise any right or option which is herein provided shall in no way be construed to be a waiver of such provision or any other provision nor in any way affect the validity of this Agreement or any part hereof or the right of any party to enforce thereafter each and every provision and to exercise any right or option. The waiver of any breach of this Agreement shall not be held to be a waiver of any other or subsequent breach. Nothing shall be construed or have the effect of a waiver except an instrument in writing signed by a duly authorized officer of the party against whom such waiver is sought to be enforced which expressly waives a right or rights or an option or options under this Agreement.

38. Any written notice required by this Agreement shall be deemed properly given only if either mailed or delivered to the Secretary, Hydro One Networks Inc., 483 Bay Street, South Tower, 10th Floor, Toronto, Ontario M5G 2P5, fax no: (416) 345-6240 on behalf of Hydro One, and to the person at the address specified in Schedule "D" on behalf of the Generator.

A faxed notice will be deemed to be received on the date of the fax if received before 4 p.m. or on the next business day if received after 4 p.m. Notices sent by courier or registered mail shall be deemed to have been received on the date indicated on the delivery receipt. The designation of the person to be so notified or the address of such person may be changed at any time by either party by written notice.

39. Each party acknowledges and agrees that it has participated in the drafting of this Agreement and that no portion of this Agreement shall be interpreted less favourably to either party because that party or its counsel was primarily responsible for the drafting of that portion.

40. No amendment, modification or supplement to this Agreement shall be valid or binding unless set out in writing and executed by the parties with the same degree of formality as the execution of this Agreement.

41. 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 and the

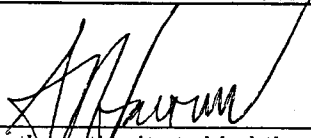
laws of Canada applicable therein, and the courts of Ontario shall have exclusive jurisdiction to determine all disputes arising out of this Agreement.

42. This Agreement may be executed in counterparts, including facsimile counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

43. The obligation to pay any amount due and payable hereunder, including, but not limited to, any amounts due under Sections 18, 21, 22.1, 22.2 and 29 hereof shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers, as of the day and year first written above.

HYDRO ONE NETWORKS INC.



I have the authority to bind the Corporation.

Name: Anthony Horton

Title: Director, Networks Customer Relations
Hydro One Networks Inc.

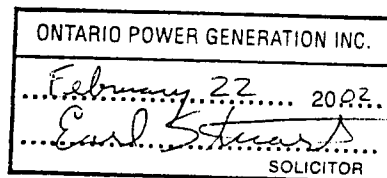
ONTARIO POWER GENERATION INC.



I have the authority to bind the Corporation.

Name: E. O'Connell

Title: Manager



Schedule "A": Definitions

Throughout this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words shall have the following meanings:

"Actual Cost" means Hydro One's charge for equipment, labour and materials at Hydro One's standard rates plus Hydro One's standard overheads and interest thereon.

"Applicable Laws" means any and all applicable laws, including environmental laws, statutes, codes, licensing requirements, treaties, directives, rules, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any governmental or governmental department, commission, board, court authority or agency.

"Approval Date" means the date specified in Schedule "D".

"Business Day" means a day other than Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto, are not open for business during normal banking hours.

"Connection" means the connection of the 230 kV drop leads from Hydro One's 230 kV K1 and P2 buses to OPG's disconnect switches, RSS1-K and RSS2-P, to the Reserve Station Service transformers, RSS1 and RSS2.

"Connection Materials" means the materials ordered by Hydro One for the purpose of the Connection including, but not limited to, the material specified in Schedule "C" of this Agreement.

"Distribute" has the meaning ascribed thereto in the *Electricity Act, 1998*.

"Emergency" has the meaning set forth in the Transmission System Code.

"Execution Date" means for the purpose of Subsection 6(a) and Section 18 of this Agreement, the date specified in Schedule "D".

"Generator Connection Work" means the work to be performed by the Generator, at its sole expense, which is described in Schedule "C" attached to this Agreement.

"Generator's Facilities" means OPG's generating facilities at Lambton GS

"Good Utility Practice" has the meaning set forth in the Transmission System Code.

"Hydro One Connection Work" means the work to be performed by Hydro One, which is described in Schedule "B", attached to this Agreement.

"Hydro One's Facilities" means the *transmitter's transmission facilities* as that term is defined in the *Transmission System Code*.

"In Service Date" means the date that the final Connection is made.

"New Facility" means the facilities owned by the Generator specified in Schedule "D".

"Premium Costs" means those costs incurred by Hydro One in order to maintain or advance the Ready for Service Date, including, but not limited to, additional amounts expended for materials or services due to short time-frame for delivery; and the difference between having Hydro One's employees, agents and contractors perform work on overtime as opposed to during normal business hours.

"Ready for Service Date" means the date upon which the Hydro One Connection Work is fully and completely constructed, installed, commissioned and energised to the Generator's first high voltage isolation points.

"Transmit" has the meaning ascribed thereto in the *Electricity Act, 1998*.

"Transmission Rate" has the meaning set forth in the form of Connection Agreement attached to the Transmission System Code.

"Transmission System Code" means the code of standards and requirements issued by the OEB on July 14, 2000, as it may be amended from time to time, setting forth mandatory terms, conditions and obligations regarding connections between the facilities of generators and the facilities of transmitters in accordance with the requirements of the *Ontario Energy Board Act, 1998*, including mandatory required terms and conditions for Connection Agreements.

Schedule "B": Hydro One Connection Work

Hydro One will provide project management, engineering, equipment and materials, construction, commissioning and energization for all work pertaining to the Connection.

Exceptions to the specifications are identified within each sub-project plan. All materials and equipment removed will be scrapped at site unless specifically stated otherwise.

Introduction

OPG is to replace their existing RSS1 and RSS2 Reserve Station Service transformers to 43/21.5/21.5 MVA as shown in Fig. 1. These RSS transformers are to be located in new positions with the foundations redesigned to include spill oil-containment pits. The two 230 kV steel towers closest to the RSS transformers are to be demolished and the two 230 kV drop leads removed. Bus support structures are to be built in their places to connect the 230 kV leads from the disconnect switches to the transformers as shown in Fig. 2.

Hydro One will:

Part 1: 230 kV Line Connections

1. Electrical Design

- Install four (4) bus support structures on the west side of the disconnect switches RSS1-K and RSS2-P. The connection to each RSS Transformer will utilize two (2) bus support structures. The two bus support structures will support the rigid bus connecting the RSS transformer to the disconnect switch.
- The connections from the 203.2mm O.D. rigid aluminum bus to the RSS Transformer terminals will be designed and provided by OPG.

2. Structural Design

- Supply four (4) bus support structures.

3. Grounding

- Supply and install grounding for the four (4) bus support structures by extending the existing ground grid.

4. Buswork

- Supply and install 203.2mm O.D. rigid aluminum bus to connect the RSS transformer to the disconnect switch. The 230 kV bus will be designed to withstand a maximum three phase fault of 63 kA sym.
- Supply and Install 230kV, 900kV BIL station post insulators to support the 203.2mm O.D. rigid aluminum bus.

Part 2: Transposition at 230 kV Bus

5. Electrical Design

- Remove the existing stranded conductor drops from the red and blue phases from the high level strain bus in Bay X to the lower level strain bus in Bay X.
- Supply and install strain bus from the high level strain bus to the low level strain bus in Bay X and Bay XIII to perform the transposition of the 230 kV bus to the new transformers.

6. Protective Relaying

- OPG has confirmed that the new RSS1 and RSS2 transformers will be supplied with CTs on the HV side of the transformers with the same ratios as the CTs on the transformers being replaced. As a result, there will be no change to K1 and P2 bus protection.
- The line transpositions will result in no change to the phasing of the lines connections to the transformers. Consequently, there will be no change to the protection relaying.

7. SCADA Facilities

- Modify data to the IMO and TOMC from the SCADA Master as required.

8. DACS Facilities

- There will no change to the data available from the SCADA Master.

Part 3: Disconnect Switches

9. Disconnect Switches (RSS1K and RSS2P)

- OPG acknowledges that Hydro One has assessed the condition of the disconnect switches (RSS1-K and RSS2-P) owned by OPG and Hydro One has recommended that OPG replace or cause to be replaced the two switches.
- OPG decided that the switches will not be replaced as part of the scope of this project.

Part 4: Field Services

10. Commissioning Services

- Coordinate the commissioning.
- P&C - Witness relevant commissioning/acceptance tests.
- Maintenance – Commissioning the new disconnect switches and ground switches.
- Assist construction in defining the outage Plan.
- Perform switching functions.

11. Construction Services

- Construction management
- Construction – Remove the existing buswork and switches and install new buswork and switches
- Health and Safety of Construction Staff on site
- Define the Outage Plan and arrange the outages.

Part 5: Environmental Assessment

12. Environmental Requirements

- All of the proposed work is exempt from the requirements for the Environmental Assessment Act.
- All works will be completed in accordance with all Environmental Laws and Regulations, a project-specific Environmental Specification, and Hydro One's "Environmental Guidelines".
- Environmental monitoring, to ensure compliance, will be carried out on a regular basis.

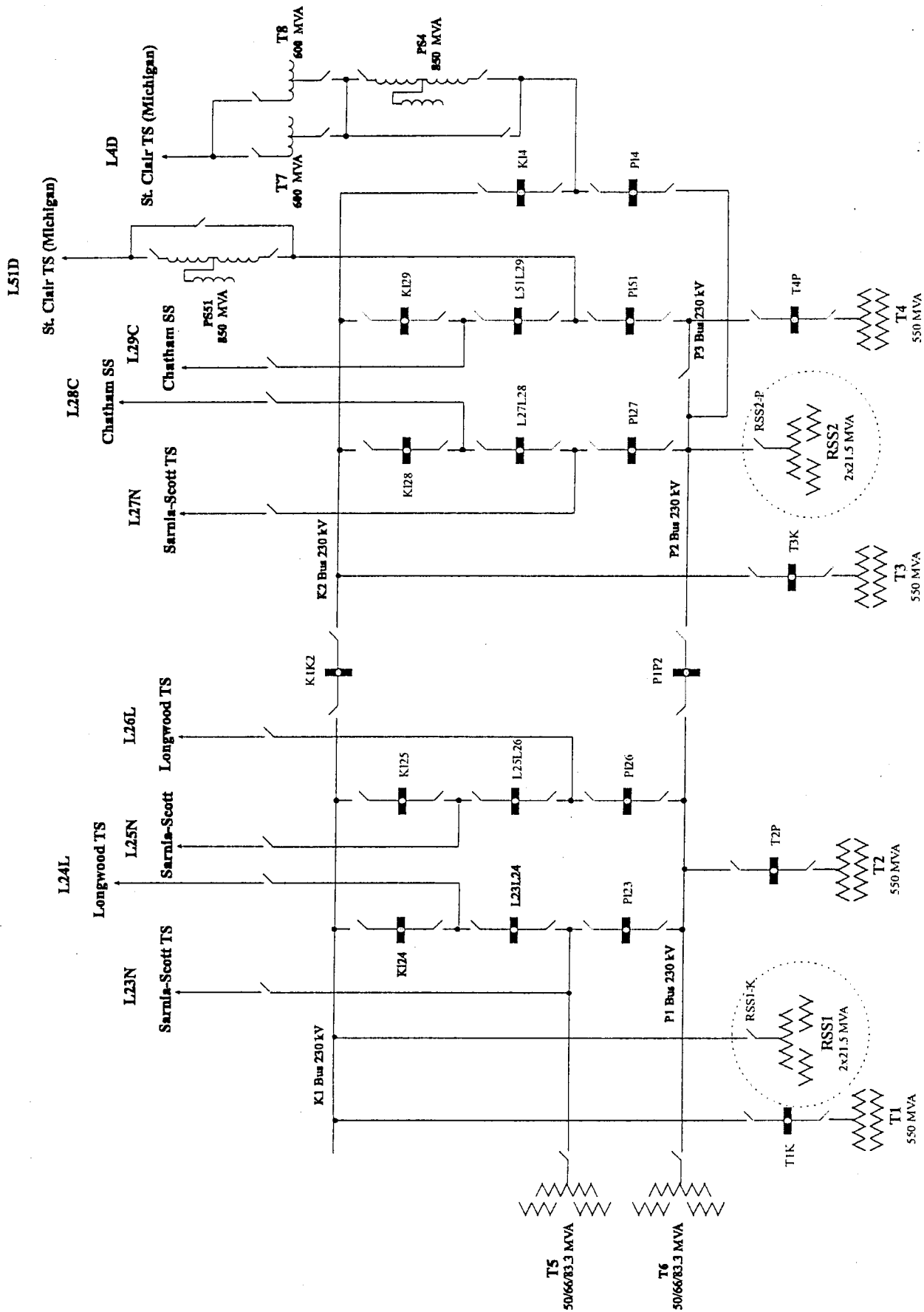


Fig. 1: Lambton TS: Replacement of RSS1 & RSS2 Reserve Station Service Transformers

Schedule "C": Generator Connection Work

Part 1: General Project Requirements:

The Generator will:

- (a) ensure that project data is made available or provided to Hydro One as required by Hydro One; and
- (b) ensure that the work performed by the Generator and others required for successful installation, testing and commissioning of protective and metering equipment is completed as required to enable Hydro One witnessing and testing to confirm satisfactory performance of such systems.

Part 2: Reserve Station Service Transformers

The provisional Schedules for RRS1 and RRS2 are as follow:

i) For RSS2:

- Arrival on site: 25 April, 2002
- Transformer installation: 23 May, 2002
- Ready for Service Date: 11 June, 2002

ii) For RSS1:

- Arrival on site: 13 May, 2002
- Transformer installation: 10 June, 2002
- Ready for Service Date: 26 June, 2002

Note: The Ready for Service Dates for RRS1 and RSS2 specified above are conditional upon:

1. the CCRA being signed by February 22, 2002 (the "Execution Date");
2. the ability to schedule outages for line and station work;
3. the ability to procure equipment that requires a long delivery time with or without the expenditure of Premium Costs; and
4. the ability for Hydro One Network Services Inc. to design and build on schedule the work described in Schedule B during normal business hours. If the Ready for Service Dates specified above can be met by having Hydro One Network Services Inc. staff work during overtime hours, Hydro One will inform the Generator promptly of same and the Generator will have the option of having Hydro One Network Services Inc. staff work during overtime hours.

The Generator will:

- Have the RSS1 and RSS2 Reserve Station Service transformers installed and be ready for connection to Hydro One station system;

- Install two (2) line terminating structures on the west side of the disconnect switches;
- Ensure that the line terminating structures are to withstand a maximum three-phase fault of 63 kA and a maximum line-to-ground fault of 80 kA as per the OEB Transmission System Code;
- Supply necessary insulators and cable connectors;
- Supply and install grounding for the two line terminating structures by extending the existing ground grid; and
- Provide and install all necessary 230 kV buswork.

Part 3: Documentation

By March 1, 2002, the Generator shall provide Hydro One with the following Connection Interface Documents for review by Hydro One in the Implementation Connection phase:

- Single-line drawings showing the new RSS1 and RSS2 transformer installation (electrical & construction) and the ratings of all electrical equipment including bushing potential devices, surge arrestors, groundings, etc.;
- RSS1 and RSS2 Transformer protection, AC and DC EWD;
- RSS1 & RSS2 transformer nameplate ratings and test data; (to be supplied by May 1, 2002)
- Relay settings including relay logic diagrams, coordination studies and fault calculations.; and
- Commissioning schedule and procedure;
- Two final copies of final as built documents to be submitted to Hydro One the date that it is the earlier of (a) four weeks after the In service Date; and September 3, 2002.

Schedule “D”:

1. Actual Cost of Hydro One Connection Work

Estimate: The estimate of the Actual Cost of the Hydro One Connection Work (excluding GST) is summarized as follows:

Part 1: Cost of 230 kV Line Connection

Project Description	Cost of Transposition at 230 kV Bus \$ (k)
Material	113.0
Construction	23.0
Sub-Contract	0
Engineering	46.0
Commissioning	4.5
Services & OVHD	0
Sub-Total	186.5
OVHD	20.0
AFUDC	4.1
TOTAL	210.5

The Actual Cost of the Hydro One Connection Work classified under 230 kV Line Connection is estimated to be \$210,500.00 (excluding GST).

Part 2: Cost of Transposition at 230 kV Bus

Project Description	Cost of Transposition at 230 kV Bus \$ (k)
Material	7.3
Construction	3.0
Sub-Contract	0
Engineering	18.5
Commissioning	4.2
Services & OVHD	1.0
Sub-Total	34.0
OVHD	3.6
AFUDC	0.8
TOTAL	38.5

The Actual Cost of the Hydro One Connection Work classified under Transposition at 230 kV Bus is estimated to be \$38,500.00 (excluding GST).

Part 3: Cost of Disconnect Switches Replacement

There is no cost associated with retaining the use of the existing disconnect switches RSS1-K and RSS2-P.

Part 4: Review Design & Commissioning

Project Description	Cost of Design Review & Commissioning
Material	0
Construction	0
Sub-Contract	0
Engineering	13.7
Commissioning	6.3
Services & OVHD	1.0
Sub-Total	21.0
OVHD	2.2
AFUDC	0.5
TOTAL	23.8

The Actual Cost of the Hydro One Connection Work classified under Design Review & Commissioning is estimated to be \$23,800.00 (excluding GST).

2. Summary: The estimate of the Actual Cost of the Hydro One Connection Work (excluding GST) is summarized as follow:

Project Description	Part 1 \$ (k)	Part 2 \$ (k)	Part 4 \$ (k)	Total \$ (k)
Material	113.0	7.3	0	120.3
Construction	23.0	3.0	0	26.0
Sub-Contract	0	0	0	0
Engineering	46.0	18.5	13.7	78.2
Commissioning	4.5	4.2	6.3	15.0
Services & OVHD	0	1.0	1.0	2.0
Sub-Total	186.5	34.0	21.0	241.5
OVHD	20.0	3.6	2.2	25.8
AFUDC	4.1	0.8	0.5	5.4
TOTAL	210.5	38.5	23.8	272.8

3. Contingencies

Contingencies include, but are not limited to:

- i. Generator initiated scope change,
- ii. planned outage delays/cancellations and subsequent equipment decommissioning,
- iii. removal and treatment of contaminated soil during excavation, and
- iv. removal and treatment of contaminated oil in equipment.

These contingencies will be recovered from the Generator through a *Project Change Control*.

4. Project Change Control

A change is a modification to the approved project scope as detailed and documented in Schedule “B”. The changes are defined as items that fall outside of the original project definition, assumptions and specifications.

- **Procedure:** A change control form (*Extra Work Claim*, Schedule “F”) will be originated by the member of the project team whose area originates the proposed change. For changes resulting from the Generator, the Generator project leader representative will initiate the change control form.

The Senior Project Analyst must carry out a preliminary review of the change prior to processing the Extra Work Claim.

- **Approval:** If any individual change is less than \$20,000 and the total changes for the Project are less than \$120,000 the change may be approved by Hydro One’s Major Projects, Department Manager.

Any change to Schedule “B” resulting in extra cost from the original estimate, both the Hydro One Senior Project Analyst and the Generator Project Manager are to sign the Extra Work Claim form prior to the work being done.

5. Manner of Payment

The Generator shall make the following payments to Hydro One towards the estimated Actual Cost of the Hydro One Connection Work:

PAYMENT SCHEDULE

No.	Due Date	Amount \$ (k)	Cumulative Amount \$ (k)
1	January 21, 2002	25.0	25.0
2	February 1, 2002	25.2	50.2
3	March 1, 2002	26.3	76.5
4	April 2, 2002	26.4	102.9
5	May 1, 2002	59.3	162.2
6	June 3, 2002	59.7	221.9
7	July 2, 2002	50.9	272.8

As noted above, GST is not included in the estimate of the Actual Cost of the Hydro One Connection Work and will be collected when Hydro One renders the invoice or credit memorandum in accordance with Section 18 hereof.

6. Documentation Required:

Documentation describing the as-built electrical characteristics of the Generator's Facilities. This documentation shall include, but is not limited to, a detailed single line drawing showing electrical parameters and characteristics of the Generator's Facilities and step up transformer(s), AC and DC protection elementary diagrams, and relay types and setting sheets.

7. Generator Notice Information:

Ontario Power Generation Inc.
700 University Ave.
Toronto, Ontario
M5G 1X6
Attention: General Manager
Fax No.: (416) 592-4775

8. Consultant Notice Information

Stone & Webster Canada L.P.
2300 Yonge Street
Toronto, Ontario M4P 2W6
M4P 2W6

Attention: Izhar Haque
Fax No.: (416) 932-4079

Schedule "E": Statement of Actual Costs (*Intentionally left blank*)

Project Title: Lambton Auxiliary Power Upgrades				
Project No.	Part 1	Part 2	Part 4	TOTAL
I/S Date	May 21, 2002	May 21, 2002	May 21, 2002	
Project Description	230 kV Line Connection	230 kV Bus Transposition	Revise Design & Commissioning	
Material				
Construction				
Sub-Contract				
Engineering				
Commissioning				
Services & OVHD				
Sub-Total				
OVHD				
AFUDC				
TOTAL				

Schedule "F": Extra Work Claim (*Intentionally left Blank*)



HYDRO ONE NETWORK SERVICES INC.

EXTRA WORK CLAIM

To: (Name): _____ Date: _____
 (Title): _____ EWC No. #: _____
 (Company): _____ Prj ID: _____
 Project: _____ W.O. #: _____
 Task #: _____

Detailed Description of extra work:

Schedule Impact

Costs:

Labor	Equip. Rental	Sundry	Perm. Material	Contracts	Totals
\$	\$	\$	\$	\$	\$

Submitted by: (Name): (Title):	Approved by: (Name): (Title):
Reviewed by: (Name): (Title):	Accepted by: (Name): (Title):

Schedule "G": Hydro One's Assets

For the purposes of this Schedule, the following terms shall have the following meanings:

"Hydro One's Property(ies)" means any lands owned by Hydro One in fee simple or where Hydro One now or hereafter is or becomes the lessee or has obtained easement rights.

"Generator's Property(ies)" means any lands owned by the Generator in fee simple.

- A. Subject to item D below, Hydro One will own all equipment and facilities installed by Hydro One as part of the Hydro One Connection Work in, under, on, over, along, upon, through and crossing Hydro One's Property(ies).
- B. Hydro One will own the following equipment installed by the Generator in, under, on, over, along, upon, through and crossing Hydro One's Property(ies): Nil
- C. Hydro One will own the equipment installed by Hydro One as part of the Hydro One Connection Work in, under, on, over, along, upon, through and crossing the Generator's Property.
- D. OPG ownership consists of the disconnect switches RSS1-K and RSS2-P extending from the east hinge through the blade to the west jaw and the interconnecting 8" bus connecting the disconnect switch to the high voltage transformer bushings including all connectors and support structures as shown in Fig 2. The disconnect switch is the connection point so that Hydro One owns up to and including the drop leads to the disconnect switches.
- E. Hydro One will own the following equipment that may be installed by the Generator in, under, on, over, along, upon, through and crossing Hydro One's Property(ies): Nil

Schedule "H": Access Provisions

For the purpose of this Schedule "H", the following terms shall have the following meaning:

"Owner" means the owner of the facilities or the site;

"Company" means the entity requiring access to the Owner's facilities or site; and

"Owner's facilities" means the Generator's Facilities in the case of the Generator and Hydro One's Facilities in the case of Hydro One.

1. When the Company's staff, its contractors, or agents work at Owner's facilities or site, Owner's safety and environmental requirements shall be observed by such staff, contractors and agents. As a minimum, all Applicable Laws shall govern such work.
2. The Company's staff, its contractors, or agents working at Owner's facilities or site shall be qualified to work around electrical hazards.
3. The Company's staff, its contractors, or agents shall be entitled to access Owner's facilities or site, and Owner will grant such access, to carry out work at all reasonable times on reasonable prior notice to Owner, subject to Owner's policies and procedures.
4. If the Company wishes to have access to Owner's facilities, the Company shall notify Owner of the particular work to be undertaken and of the date and time when it proposes to access the relevant facilities, subject to Owner's policies and procedures. Owner shall not unreasonably withhold access to its facilities.
5. At any time when the Company or its representatives are on or in Owner's site, the Company and its representatives shall:
 - (a) use all reasonable precautions not to damage or interfere with Owner's site and facilities;
 - (b) observe Owner's requirements for reporting occupational health and safety, electrical safety, environmental requirements, technical requirements, and matters of industrial relations; and
 - (c) neither ask questions, nor give any direction, instruction or advice to any person involved in operating or maintaining Owner's site or facilities, other than the person whom Owner has designated for that purpose.

6. If the Company or its representatives cause any loss or damage when given access to Owner's site, the Company or its representative shall promptly advise Owner's controlling authority of the loss or damage.

7. The Company shall not, and shall ensure that its representatives do not, intentionally interfere with any of Owner's facilities in or on its sites. The Company shall use reasonable efforts not to cause loss or damage to Owner's facilities. If the Company interferes with any of Owner's facilities, it shall indemnify Owner for reasonable costs and expenses incurred from any resulting loss or damage.

8. In an emergency, Owner may, as far as reasonably necessary in the circumstances, have access to and interfere with the Company's facilities. Owner shall use reasonable efforts not to cause loss or damage to the Company's facilities. If Owner interferes with any of the Company's facilities, it shall indemnify the Company for reasonable costs and expenses incurred from any resulting loss or damage.

9. The Company shall pay Owner its costs related to the Company's staff, contractors or agents accessing Owner's facilities or sites, including, but not limited to, the cost of having an Owner representative accompany the Company's staff, contractors, or agents accessing Owner's facilities or sites in accordance with the invoices rendered by Owner.

10. The Company shall indemnify and save harmless Owner from and against all liabilities, damages, suits, claims, demands, costs, actions, proceedings, causes of action, losses, expenses and injury (including death) of any kind or nature whatsoever (the "causes of action") resulting from, caused by or in any manner connected with installed Company equipment on Owner's facilities or sites or Company's staff, its contractors, or agents accessing Owner's facilities or sites including, but not limited to:

- (a) causes of actions arising out of health and safety violations or environmental spills;
- (b) costs incurred by Owner having to pay other Generators due to interruptions caused by the Company;
- (c) damage to Owner equipment;
- (d) incremental costs and expenses incurred by Owner related to the Company's equipment installations, removals, relocations, upgrades, or any other Company work.

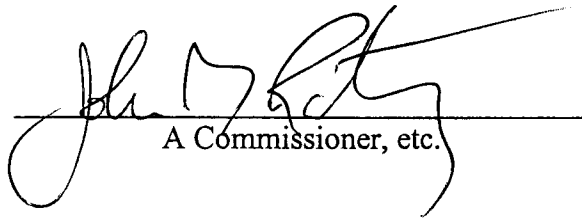
except to the extent that the "causes of action" are caused by the negligence or willful misconduct of Owner.

Exhibit B

The attached document is exhibit "B" to the Affidavit of
Dominic Catizzone

Sworn before me at the City of Toronto
in the Province of Ontario

this 4th day of March, 2002.


A Commissioner, etc.

ONTARIO POWER GENERATION

N927-SCR-22750 P
N127-SCR-00613 P

700 University Avenue, H14 D27 Toronto, Ontario M5G 1X6

February 25th, 2002

Mr. B. Pesant
Account Executive
Customer Solutions
Hydro One Networks Inc.,
483 Bay Street, 14th Floor
Toronto, Ontario
M5G 2P5

File: SCR 32700-P

SCR 00613 B&W

Dear Mr. Pesant:

SCR Project – Lambton CCRA

Attached is the signed Connection and Cost Recovery Agreement for Hydro One's work in connection with the Lambton SCR Project. As time is of the essence for this project, we expect that Hydro One will expeditiously complete the work covered by this Agreement and meet all of its scheduled in-service dates for this work.

As you are aware, we have signed this Agreement despite our continuing belief that the "No By-pass" clause (section 25) is inappropriate and should be deleted. However, Hydro One's refusal to undertake the required connection work unless section 25 was included in the Agreement left us with no alternative but to sign. As we have previously told you, and told Hydro One's senior management, we will be filing an application at the OEB seeking an order directing Hydro One to delete this clause from this CCRA and all existing CCRAs, and to refrain from putting this clause or a similar clause into future CCRAs.

Yours truly,



Dominic Catizzone
Project Manager – SCR Project
Electricity Production
Tel: (416) 592-6320, Fax: (416) 592-1823

cc: Carmine Marcello HON, 15N
David Curtis HON, 13N

bcc: Graham Brown H19 A19
Jim Twomey H15 J21
Joel Singer H18 G1
Earl Stuart H18 G25