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December 14, 2012

Mark Henderson
EVP Asset Management and Chief Operating Officer
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Dear Mr. Henderson:

RE: Siting Vaughan #4 MTS for connecting to the Claireville-Minden line

The purpose of this letter is to support the York Region Working Group's ("Working Group") choice of the option to connect PowerStream's next transformer station in Vaughan ("Vaughan #4 MTS") to the Claireville-to-Minden line (B82/83V).

In early 2011, a Working Group, consisting of representatives of the Ontario Power Authority (OPA), the Independent Electricity System Operator (IESO), Hydro One Networks, Hydro One Distribution, PowerStream and Newmarket-Tay Power, was established to assess electricity reliability in York Region over a 20-year period. The Working Group has confirmed the need for a new transformer station in the Vaughan area to supply load growth in southern York Region. While planned conservation and distributed generation are expected to offset over 30% of forecast load growth in this area, the remaining net load growth is expected to exceed the combined capacity of the existing stations in and around Vaughan by 2017. An acceptable transmission supply point must be determined as soon as possible.

Based on the existing system configuration, the Working Group identified three potential transmission supply points for Vaughan #4 MTS: the Parkway-to-Claireville line, the Kleinburg Tap, and the Claireville-to-Minden line, as shown in Figure 1.

From a distribution perspective, the Claireville-to-Minden supply point is preferred because the centre of forecast load growth to be supplied by the new station is near the northern boundary of the City of Vaughan. The Claireville-to-Minden line passes directly through this area, allowing the station to be ideally located to

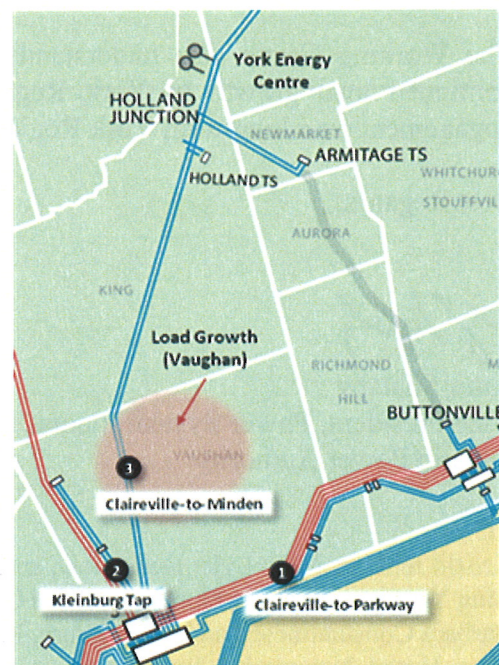


Figure 1. Potential Supply Points for Vaughan #4 MTS

minimize distribution system expansion. PowerStream's staffs have indicated that suitable sites for the new transformer station near the Claireville-to-Minden corridor have been identified. The Parkway-to-Claireville line and the Kleinburg Tap are respectively located approximately 10 km to the south and 6 km to the west of this area of growth. Siting Vaughan #4 MTS near these supply points would require extensive and costly distribution expansion in areas with limited available road allowances.

All three of the potential supply points have limitations that would prevent them from supplying a new station without transmission system reinforcement. With this understanding, the Working Group considered the connection of Vaughan #4 MTS in the context of the long-term integrated plan for York Region. In addition to Vaughan #4 MTS, a new transformer station is forecast to be needed in Northern York Region around 2020, and two additional stations in Markham and Vaughan are forecast for the longer-term (after 2020). Planning, stakeholder engagement and development of a long-term solution to meet these combined capacity needs will require several years' lead time, so to respect the expected in-service date of Vaughan #4 MTS the Working Group considered means to leverage the existing system to meet the near-to-medium term needs of the area.

In the near-to-medium term, York Energy Centre (a new single-cycle peaking generation plant identified as part of a 2005 Integrated Plan for Northern York Region, which came into service in Spring 2012) will provide additional supply capacity on the Claireville-to Minden line and improve the reliability of supply to customers in Northern York Region. In order to fully realize the capacity and reliability benefits of York Energy Centre, additional station facilities, including switching facilities at Holland TS, would need to be installed. These proposed facilities would need to be in service in time for the connection of Vaughan #4 MTS on the Claireville-to-Minden line in 2017.

The Working Group also understands that a longer term solution will be needed to support continued load growth in York Region and the intention to move ahead with stakeholder engagement on a long-term York Region Integrated Electricity Plan.

Best Regards,



Amir Shalaby
Vice President, Power System Planning
Ontario Power Authority

CC

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