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REGION OF YORK
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7/12/04

December 7, 2004

The Regional Municipality of York
17250 Yonge Street
Newmarket, ON
L3Y 6Z1



**Attention: Regional Council Chair Fisch and
Members of Regional Council**

Dear Chair Fisch and Members of Regional Council:

**RE: Reinforcement of Transmission Supply Facilities to York Region –
Hydro One Networks Inc.**

We understand that Regional Council ('Council') will be considering actions it may take respecting the subject project at its December 16, 2004 meeting. We have been informed that the Regional Planning Committee, at its December 1, 2004 meeting resolved to allow for consideration of feedback from the Local Distribution Companies ('LDCs') serving York Region as part of Council's deliberations. We appreciate the opportunity to provide our perspective, and respectfully offer the following:

Need and Justification for New Supply Facilities

Newmarket Hydro Ltd. ('NHL') was involved in the York Region Supply Study – Adequacy of Transmission Facilities and Transmission Supply Plan 2003 – 2013 dated July 10, 2003 (the 'Transmission Plan') that was produced by Hydro One Networks Inc. ('Hydro One'). It concludes that new supply facilities are needed for the Newmarket/Aurora areas in the winter of 2005/2006. Our President has actively reviewed and provided input in all phases of the Transmission Plan and subsequent activities. He has the academic and career experience to be knowledgeable in these matters.

We believe Hydro One is following their project planning and approval process for transmission reinforcement into York Region through appropriate channels and timelines. All LDCs in York Region, including NHL participated in the Transmission Plan, and we continue to agree with its findings respecting our service area. Hydro One's processes allow for public input, legal challenges, questions, and are designed to achieve a result that respects the broad interests of all electricity consumers. Through our participation in Hydro One's planning

process, we are satisfied that all appropriate transmission options were given due and proper consideration.

Alternatives to Transmission Facilities

Many other alternatives to transmission such as constructing distribution lines from Markham to Newmarket have real and quantifiable environmental, technical, and economic disadvantages for our customers that disqualify them from consideration. We also understand, based on discussions with Hydro One's transmission engineering staff that there are no remedial measures available for the existing supply facilities which would result in an increased ability to serve load.

Energy conservation and demand management programs are economic and worthwhile. However, our investigation of established programs elsewhere indicate they cannot be relied upon to achieve results that would eliminate the risk of serving electrical load for any preconceived period of time with certainty. These findings are particularly relevant when York Region's rapid growth is considered.

NHL has formulated a Conservation and Demand Management Plan (the 'Plan') in response to a directive we have received from the Minister of Energy. It is based on best practices in the North American electric utility industry. The Ontario Energy Board issued an Interim Order to us on November 29, 2004 approving the implementation of this Plan. We are fully committed to this initiative of the Provincial Government and, through partnering with expert energy management companies with proven track records, expect to achieve results that will be the envy of others. However, the Plan is not expected to defer the need for new supply facilities for any material length of time.

The concept of distributed generation has become much more widely accepted in North America's electric utility industry in recent years. Significant advances in the efficiency of small and mid-scale generation facilities have made this potential alternative worthy of consideration in many supply shortfall situations. Like construction of transmission lines, we fully appreciate there are economic, electrical and environmental requirements to be addressed in its application as well.

Newmarket Hydro, in conjunction with a capable Ontario generating company is pursuing distributed generation, which may lead to a deferral of Hydro One's transmission plan. It is our intention to ensure distributed generation is given full consideration free of economic and technical biases that may exist. However, it is our position that, should Hydro One's transmission plan be the best means of meeting the electrical supply needs of NHL's customers once this consideration is complete, then we will fully support it.

We are also following appropriate processes with respect to the evaluation of distributed generation. As we have already noted, these processes allow for public input, legal challenges, questions, and are designed to achieve a result that respects the broad interests of all of our customers. It is appropriate to

allow them to conclude and, by doing so, determine the best option to serve our electricity supply needs.

Roles and Responsibilities

Our President attended a meeting of the Regional Planning Committee (the 'Committee') on December 1, 2004. At this meeting, deputations were made by two groups, the Markham-Aurora Hydro One Task Force (the 'Task Force') and Stop Transmission Lines Over People ('STOP'). It is our understanding that their objective was to have the Committee recommend Council pass a resolution requesting suspension of the current Hydro One transmission option approval process. It is our view that both the Task Force and STOP are special interest groups. To participate in their interests may very well ignore the broader interests of the majority of electricity consumers. It is also our view that, as noted previously, the interim supply solutions they presented are not viable.

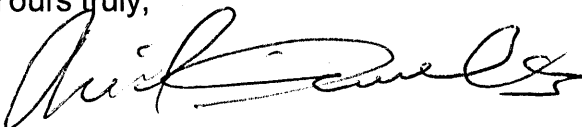
In considering a position in this matter, you should appreciate that *The Electricity Act, 1998* and all subsequent enacted and pending legislation pertinent to Ontario's electric utility industry places all responsibility for electricity supply on the industry's participants and regulatory bodies. Neither York Region nor any of its local municipalities have any direct authority in this matter. With particular respect to NHL, it is our legislated and regulatory obligations to the Ontario Energy Board and our customers that are guiding our position. These are separate and distinct from our corporate obligations to our municipal shareholder.

Recommended Action

New supply facilities to serve York Region and respect the broad interests of all electricity consumers are needed in the winter of 2005/2006. We are confident you appreciate how essential reliable electric service is to the well-being of York Region's broad constituency of residents, businesses and institutions. We respectfully recommend that Council resolve to have those responsible for providing these facilities, namely Hydro One, the LDCs serving York Region, and other industry participants that may have a role in their provision proceed in an expeditious and prudent manner with due regard for environmental, community, electrical and economic considerations to make them available when needed.

Thank you for your consideration of our perspective on this matter. We would be pleased to have our President attend your meeting on December 16, 2004 to answer any questions you may have.

Yours truly,



U. Phillip Daniels
Chair

Cc P.D. Ferguson, P.Eng. President, Newmarket Hydro Ltd.