Newmarket-Tay Power Distribution Ltd. **Conditions of Service**	**Number:** NT POWERCOS–210–02 **Issue Date:** July, 2007
Expansions **Offer To Connect**	**Next Review Date:** November, 2012

1. Preamble

Under the terms of the *Ontario Energy Board's (OEB) Distribution System Code (DSC)*, Newmarket-Tay Power Distribution Ltd. (NT POWER) has the obligation to make an Offer to Connect for any *building* that is in its *service area*. If the *building* or a development cannot be *connected* without an *expansion* or *enhancement* to its *distribution system*, the process outlined in this section will apply.

If the *building* "lies along" NT POWER's *distribution system*, it may be denied *connection* for the reasons described in Section NT POWERCOS – 210 – 03.

In making an "Offer to Connect", NT POWER will include, without limitation, the following components, as applicable:

- A description of the expansion facilities and connection assets
- Basic and variable connection fees
- Economic evaluation
- Capital contribution and alternative bids
- Settlement of capital contribution
- Rebates related to expansions
- Construction Agreement for Expansion Facilities and Connection Assets
- Reference to NT POWER's Conditions of Service and how they can be obtained
- Where the word *Applicant* is used in this section of NT POWERCOS-210-02, it means *Applicant* or *developer.*
- Expansion deposit

2. Time To Respond With An Offer To Connect

NT POWER shall make every reasonable effort to respond promptly to an *Applicant's* request for *connection*. NT POWER shall respond to an A*pplicant's* written request for an *Applicant connection* within 15 calendar days of receipt of the written request. NT POWER will make an Offer to Connect within 60 calendar days of receipt of the written request, unless other necessary information is required from the *Applicant* before the offer can be made.

3. Description of Expansion Facilities and Connection assets

NT POWER will provide a description of the *expansion* facilities and *connection assets* required to connect the *Applicant.* The description will be in the form of preliminary electrical drawings prepared from planning, engineering and other information provided to NT POWER by the *Applicant*.

4. Basic and Variable Connection Fees and Demarcation Points

The cost associated with the *expansion* will be fair and reasonable and includes Basic and/or Variable Connection Fees. NT POWERCOS-500 Appendix B, Demarcation Points and Charges for Connection Assets and Appendix C, Basic Connection and Disconnection Fees, detail the basic and variable connection fees for each Service Category.

5. Economic Evaluation

NT POWER will perform an economic evaluation to determine whether the future revenue from the *Applicant* will pay for the capital and on-going maintenance costs of the e*xpansion* project (refer to methodology and assumptions in the *DSC* – Appendix B). At the discretion of NT POWER, the capital costs for the *expansion* may include incremental costs associated with the full use of NT POWER's existing spare facilities or equipment, which may result in an adverse impact to future *Applicants*. The economic evaluation will be based on NT POWER's historical *Consumer energy/demand* load by rate class and, in the case of an *expansion* to serve residential load, by *building* type (townhouse, semi-detached house, fully detached house).

In performing the economic evaluation, should the Net Present Value (NPV) of the costs and revenues associated with the *expansion* be less than zero, a capital contribution in the amount of the shortfall is required. NT POWER has the choice of either:

(a) Collecting this shortfall from the *Applicant*, or
(b) Absorbing this shortfall.

If the *expansion* is for a *generation facility* the provisions of the *OEB DSC* Section 3.2 will apply.

6. Capital Contributions, Settlement and Alternative Bids

The capital contribution collected from the *Applicant* and its settlement, as determined in Sections 4 and 5 above, is to be consistent with the respective Service Categories as outlined below:

<u>Residential Single Service:</u>	Overhead or underground: Capital contribution not collected from the A*pplicant.*

Residential – Site Plan Development (As determined by the Town of Newmarket or the Township of Tay or the Town of East Gwillimbury):	Capital contribution collected from the *Applicant.* To be paid as per Construction Agreement for Expansion Facilities Supplied by Developer/ Distributor. (See Section 9 below.)
Residential – Subdivision Agreement (Greater than 2 Units):	Capital contribution collected from the *Applicant.* To be paid as per Construction Agreement for Expansion Facilities Supplied by Developer/ Distributor.
General Service Below 50 kW:	Overhead or Underground: Capital contribution not collected from the *Applicant.*
General Service 51 kW – 500 kW Site Plan Development:	Capital contribution may be collected from the *Applicant* at NT POWER's sole discretion.
General Service 501 kW to 5000 kW: Site Plan Development:	*Applicant/Consumer-owned substation* required. Capital contribution may be collected from the *Applicant* at NT POWER's sole discretion.
General Service – Subdivision Agreement:	Capital Contribution not collected from the *Applicant.* Construction Agreement for Expansion Facilities Supplied by Distributor – General Service.

Where a capital contribution is required and the work does not involve work with existing NT POWER distribution equipment, the *Applican*t may obtain alternative bids for the *expansion* from qualified contractors.

NT POWER may charge an *Applicant* that chooses to pursue an alternative bid any costs incurred by NT POWER associated with the *expansion* project, including but not limited to the following:

- Costs for additional design, engineering, or installation of facilities required to complete the project that were made in addition to the original Offer to Connect

- Costs for inspection or approval of the work performed by the contractor hired by the *Applicant*.

NT POWER may collect expansion deposits for up to 100% of the present value of the projected capital costs and on-going maintenance costs of the project.

7. Adjustments of Capital Contributions

The initial *energy/demand* load will be based on NT POWER's historical *Consumer energy/demand* load as described in Section (5) above. Final review after five (5) years of the economic evaluation may be performed at NT POWER's sole discretion. If, after the In-Service Date, the *Applicant's* or *Consumer's* actual *energy/demand* load or *Consumer* additions is **less than 90%** of the original forecast for the *expansion*, and NT POWER has opted to review the financial evaluation, the *Applicant* and NT POWER agree to:

1. Adjust the economic evaluation based on the *Applicant's* actual 12-months average monthly *demand*
2. Recalculate the amount of capital contribution
3. Readjust accordingly the expected Incremental Revenue
4. The *Applicant* or NT POWER shall reduce the difference in the capital contribution to zero by paying the balance no later than 30 days after the date of NT POWER's notice of capital contribution settlement.

8. Rebates Related to Expansions

Where NT POWER is required to add to the *distribution system* solely for the *connection* of an *Applicant*, the *Applicant* will be required to pay NT POWER 100% of the calculated shortfall. If within 5 years from the *connection* date, non-forecasted *Applicants* are to be *connected* to these new additions, they shall contribute their share, and the first *Applicant* will be entitled to a rebate as outlined in NT POWER's rebate process below.

Based on the amount of physical distance of the *expansion* that the non-forecasted *applicant* will be using, the non-forecasted and the original *Applicants* will share the depreciated costs on an equal basis.

Example (for two A*pplicants* only):

Original *Applicant* "A" pays a capital contribution of $Y to construct a 500 m *expansion* from NT POWER *distribution system* to "A"s new *building*. Non-forecasted *Applicant* "B" requires *connection* to the *expansion*, three years after the *expansion* was completed, at a distance 100 m from the original location of NT POWER *distribution system*. Depreciation rate on distribution lines is 4% per year.

The rebate to be provided by "B" to "A", through NT POWER, will be:

Rebate = [(100/500) x $Y x (1 - (3 x .04))] / 2

9. Construction Agreement for Expansion Facilities and Connection Assets

Applicants for Residential Service Categories that are subject to a site plan or subdivision agreement, or General Service Categories that are subject to a subdivision agreement shall enter into a:

- Construction Agreement for Expansion Facilities and Connection Assets Supplied by Developer – Residential Subdivision; or a
- Construction Agreement for Expansion Facilities and Connection Assets Supplied by Developer – Residential Site Plan; or a
- Construction Agreement for Expansion Facilities and Connection Assets Supplied by Distributor – Residential Subdivision; or a
- Construction Agreement for Expansion Facilities and Connection Assets Supplied by Distributor – Residential Site Plan; or a
- Construction Agreement for Expansion Facilities Supplied by Distributor – General Service Subdivision

and may be required to provide a *performance guarantee* equivalent to the costs of the *expansion*. The generic agreements are contained in NT POWERCOS-500, Appendices D, E, F, G and H.

10. Offer to Connect

NT POWER's Offer to Connect will be a firm offer based on an estimate of the costs to construct the *expansion*. NT POWER will provide one estimate to the *Applicant* for any plans submitted to NT POWER for an *expansion* project, at no expense to the *Applicant*. If the *Applicant* submits revised plans, NT POWER may provide a new firm offer for revised plans at the *Applicant's* expense.

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