

Subject New, redeveloped and upgraded hydro-electric generating stations – Ministry of Natural Resources’ (MNR) statements issued for the purpose of claiming deductions to the Gross Revenue Charge under the <i>Electricity Act, 1998</i>		Procedure WR 3.02.01	New X
Compiled by - Branch Lands and Waters	Section Renewable Energy	Date Issued October 24, 2008	
Replaces Directive Title N/A	Number 1	Dated August 14, 2008	Page 1 of 25

*This procedure applies to the construction of new hydro-electric (waterpower) generating stations, and the redevelopment and upgrading of existing stations. It is to be read and applied in conjunction with the WR 3.02.01 policy. The policy and procedure are to be used by a proponent to prepare and submit applications to MNR for interim and final determinations on projects, and to direct and guide MNR’s assessment of and determinations on these projects. Each project will be evaluated on a case-by-case basis, taking into consideration circumstances and work that is often unique. As it is not possible to pre-categorize all work into project types, proponents may wish to contact Renewable Energy Section about the potential applicability of this policy and procedure to their project prior to preparing an application. Neither the evaluation of the project type nor, if an upgrade, the projected percentage increase in amount of electricity generated annually, contained in an application constitute a determination for the purpose of obtaining relief from liability to pay the Gross Revenue Charge. A final determination for this purpose is issued by MNR under the authority of O. Reg. 124/02 (Taxes and Charges on Hydro-electric Generating Stations) following the assessment of a proponent’s application. MNR may require that a proponent provide additional data and information as is deemed necessary for the purpose of making a determination.*

## **1.0 DEFINITIONS**

In this procedure, all definitions have the same meaning as set out in the WR 3.02.01 Pol (New, redeveloped and upgraded hydro-electric generating stations – Ministry of Natural Resources’ (MNR) statements issued for the purpose of claiming deductions to the Gross Revenue Charge under the *Electricity Act, 1998*).

## **2.0 PROCEDURE**

This procedure sets out the roles and responsibilities of those involved in:

- reviewing projects, and preparing and submitting applications for interim and final determinations;
- assessing applications that have been submitted for the issuance of determinations; and
- filing Section 7 Statements.

A chart which summarizes the application, evaluation and filing process is set out in Appendix A.

The procedure also sets out the evaluation process for distinguishing between new, redeveloped and upgraded stations and, for upgraded stations, the projected percentage increase in the amount of electricity generated annually by a station which is attributable to the upgrade.

An application form to be used by proponents in applying for either interim or final determinations appears in Appendix B. Form letters for the issuance of interim and final determinations (Section 7 Statements) appear in Appendices C and D.

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## 2.1 **Roles and responsibilities**

### 2.1.1 **Interim determination**

#### a) **Proponent**

- Using the application form for interim or final determination (Appendix B), has qualified professional engineer prepare or review, and sign and seal the form following the WR 3.02.01 Pol and this procedure, including attaching supporting documentation containing all data, information, methods, assumptions, models and calculations required to validate, replicate and verify the engineer's evaluation of the project type and, for an upgrade, the projected percentage increase in the amount of electricity generated annually by the station which is attributable to the upgrade. Proponent signs form to complete the application.
- Submits, or has qualified professional engineer submit on their behalf, complete application to the ministry area supervisor.
- Where additional data and information are requested by the ministry, or substantial material changes are made to the project prior to the issuance of the interim determination, submits, or has qualified professional engineer submit, an addendum to the ministry area supervisor, which is signed and sealed by the engineer.

#### b) **Ministry area supervisor**

- Requests proponent submit application for interim determination, at the time when the proponent makes application to construct or modify works under LRIA.
- Acknowledges receipt of application for interim determination, forwards to ministry engineer assigned to assess it, and notifies the Manager, RES.
- Requests and acknowledges receipt of any addenda to the application, and forwards these to the ministry engineer assigned to assess the application.

#### c) **Ministry engineer**

- Using WR 3.02.01 Pol and this procedure, assesses proponent's application, with a view to validating, replicating and verifying, as the case may be, the methods, assumptions, models, calculations, analysis and findings, and requests additional data and information as may be required.
- Reaches opinion on the proponent's evaluation of the project type.
- For projects which are determined to be upgrades, reaches opinion on the proponent's evaluation of the projected percentage increase in the amount of annual electricity generation that is attributable to the upgrade.

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- Forwards the application and his or her opinion, with reasons, to the Manager, RES.
- If not already determined through an application for approval under the LRIA, determines whether such an approval is required.

**d) Manager, RES**

- Prepares draft interim determination (Appendix C), and forwards it, along with the application, and the ministry engineer's opinion, with reasons, to the Minister.

**e) Minister**

- Based on a 60-day target from receipt of a complete application by the ministry area supervisor, issues the proponent an interim determination which sets out, among other things:
  - whether the project qualifies as a new, redeveloped or upgraded station; and
  - if the work is to upgrade the station, the projected percentage increase in the amount of electricity generated annually which is attributable to the upgrade.
 The statement notes that, following the construction and commencement of service by the project, upon application by the proponent, MNR will assess the application and issue a final determination (Section 7 Statement).

**NOTE:** Proponents are not required to seek or obtain an interim determination prior to constructing a new station, or redeveloping or upgrading an existing station, for them to be eligible for a deduction to the GRC. However, it is in their best interest to do so in order to:

- provide clarity on the tax status of the project prior to completing the project economic analysis, arranging project financings and making capital investments; and
- reduce the liability to pay the GRC while awaiting a final determination, even though such payments are eligible for refund back to the date the project is determined to have come into service.

It is recommended that proponents seek an interim determination, at the time they make application for approval under the LRIA, typically during the concept, feasibility or design stages of a project.

**2.1.2 Final determination and issuance of Section 7 Statement**

**a) Proponent**

- Following completion of other project review and approvals, and a station coming into service, using the application form for interim or final determination (Appendix B), has qualified professional engineer prepare or review, and sign and seal the form following WR 3.02.01 Pol and this procedure, and completes declaration, to either:
  - confirm that the station was constructed, redeveloped or upgraded in a manner consistent with the application for interim determination (including the project type and projected percentage increase in the amount of electricity generated annually by the station which is attributable to the upgrade), and the date that the project came into service;

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or

- attach the necessary supporting documentation (methods, models, assumptions, data and calculations, analysis and findings) setting out the evaluation of changes which were made subsequent to the interim determination that had a material effect on the project type, and/or, in the case of an upgrade, the projected percentage increase in electricity generated annually which is attributable to the upgrade, and the date that the project came into service.

- In the case of station upgrades, the application is to include a revised estimate of the projected percentage increase in electricity generation which is attributable to the upgrade, based upon measurement of the station's actual electricity generation, once it is in service.
- Where an application for interim determination was not previously requested by the proponent or issued by MNR, using the application form for interim or final determination (Appendix B), has qualified professional engineer prepare or review, and sign and seal the application, and completes declaration, in the same manner as Section 2.1.1 a).
- Submits, or has qualified professional engineer submit on their behalf, complete application for final determination, to the ministry area supervisor.

**b) Ministry area supervisor**

- Acknowledges receipt of application for final determination, forwards application to ministry engineer assigned to assess it, and notifies the Manager, RES.

**c) Ministry engineer**

- Following the review and approval of the project's location and plans and specifications under the LRIA (where determined necessary), and the project achieving an in-service date, assesses the application for final determination taking into consideration WR 3.02.01 Pol and this procedure, and reaches an opinion on whether the application confirms the findings of the interim determination, or whether a different opinion is warranted, on the basis of documentation provided by the proponent, or other evidence or facts which are, in his or her professional judgment, material to the determination.
- If a proponent did not previously request an interim determination, assesses application in the same manner as Section 2.1.1 c).
- Forwards his or her opinion, with reasons, to the Manager, RES.

**d) Manager, RES**

- Prepares draft final determination (Appendix D), and forwards it, along with the application, and the ministry engineer's opinion, with reasons, to the Minister.

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**e) Minister**

- Within a 30-day target of receipt of a complete application by the ministry area supervisor, assesses the application and the ministry engineer's opinion, and issues the proponent a final determination in the form of a Section 7 Statement which sets out, among other things:
  - whether the work carried out was to construct a new station, to redevelop the station, to upgrade the station or does not qualify as any of these project types
  - whether an approval for the work under the LRIA was required, and whether the work was carried out in accordance with that approval
  - the date that the eligible capacity, if any, was put into service, and
  - if the work was to upgrade the station, the projected percentage increase in the amount of electricity generated annually which is attributable to the upgrade.
- If a proponent did not previously request an interim determination, the final determination is to be issued within a 60-day target of receipt of the application by the ministry area supervisor.

**2.1.3 Projects requiring approval under s. 17.2 of the LRIA**

Where a proponent proceeds to construct a new station, or to redevelop or upgrade an existing station without first obtaining an approval under the LRIA, and a ministry engineer's review determines either during construction or modification, or at any time after the construction or modification is completed, that an approval for the work under the LRIA was required, the proponent must first provide the ministry engineer with the necessary information in order to permit him or her to issue an approval under s. 17.2 of the LRIA, before the ministry will assess an application for final determination. For MNR to issue this approval, as with any other works approved under s. 14 or s. 16, the project must be able to satisfy the purposes of the LRIA.

In this instance, the roles and responsibilities of the proponent, the ministry engineer, the Manager, RES, and the Minister, are the same as in Section 2.1.2. The Section 7 Statement will be issued within a 60-day target of receipt of a complete application for final determination, but in any case, no earlier than the date of the ministry's approval of the project under s. 17.2 of the LRIA.

**2.2 Complete application**

A complete application means an application form for an interim or final determination (Appendix B) which has all its relevant parts filled out, and necessary supporting documentation (methods, models, assumptions, data and calculations, analysis and findings) attached, including completed declarations. Proponents must submit a complete application for the ministry to assess and issue determinations.

Linear, areal and volumetric measurements are to be expressed in metric units, with water flows in cubic metres per second (cms), station maximum continuous ratings in MegaWatts/cms, and

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electricity production in GigaWatt-hours. Electricity production is to be accurate to six decimal points (O. Reg. 124/02, ss. 1(3)).

The application form for interim or final determination consists of several parts, including a description of the project:

### **General information (all applications)**

- the type of application, i.e., interim or final determination;
- the name of the proponent, and contact information;
- the name and location of the existing station or project, and a site plan; and
- the ownership of the land on which the station is or is proposed to be situated, i.e., provincial Crown land, federal Crown land, fee simple title held by a municipality, conservation authority or another corporation, person or persons.

### **New station (as applicable)**

- a scope of project, consisting of a detailed description of the work to be done to locate and construct the station and associated structures
- a general description of the station, including the principal components of:
  - the power house, e.g., turbines, runners, wicket gates, draft tubes, electrical switchgear, transformers and structure housing these components
  - any associated physical infrastructure for the conveyance and utilization of water, such as dams, canals, tunnels, training walls, wing walls, penstocks, screens, headgates
- water flows, installed capacity and power production
  - the seasonally weighted, average annual in-flow, calculated using the complete period of record, or as complete a period of record as to constitute a representative baseline<sup>1</sup>
  - projected MCR of the station
  - projected annual electricity generation
- the projected hydraulic impact (e.g., changes in flows and/or levels, stability of flows), if any, on any existing stations upstream or downstream of the project; and
- a construction schedule, including the actual or projected in-service date.

### **Redevelopment or upgrade of an existing station (as applicable)**

- Ministry of Revenue Gross Revenue Charge Account Number
- a description of the pre-project station, including the principal components of:
  - the power house, e.g.:
    - number of units, type of runners, wicket gates, draft tubes, electrical switchgear, transformers, the structure housing these components, and their associated footprints
    - MCR of each unit of the station and the total MCR of the station (if initial MCR data is unavailable or deemed unreliable, the nameplate capacity of the station's units is to be provided)

<sup>1</sup> Calculated as the average of the January to March, April to June, July to September, and October to December average monthly in-flows.

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- any associated physical infrastructure for the conveyance and utilization of water, e.g.:<sup>2</sup>
  - dams, canals, tunnels, training walls, wing walls, penstocks, screens, headgates, and their associated footprints
- the date the station first began service, and if the station is presently not in service, the date that the service ended, and the reason for ending the service or any interruption in service longer than 18 months
- the seasonally weighted, average annual in-flow, calculated using the complete period of record, or as complete a period of record as to constitute a representative baseline<sup>3</sup>
- the seasonally weighted, average annual electricity generation as estimated by routing the average annual in-flows through the station using the initial station MCR<sup>4</sup> and data on recent actual electricity generation,
- a scope of project, consisting of a detailed description of the work to be done, including the principal changes proposed to be made or made to construct, install, replace or modify:
  - the power house, e.g.:
    - turbines, runners, wicket gates, draft tubes, electrical switchgear, transformers and structure housing these components and associated footprints
    - the post-project number of turbines and projected MCR of the station
    - the projected percentage change in the amount of electricity generated annually by the station which is attributable to the project (if an upgrade, must be at least a two percent increase);
  - any associated physical infrastructure for the conveyance and utilization of water, e.g.:
    - dams, canals, tunnels, training walls, wing walls, penstocks, screens, headgates;
- confirming if the project consists of making more efficient use of the existing in-flows and/or increases in in-flows through the diversion of water, and if increases in the in-flows, the projected incremental increase in and the total in-flows<sup>5</sup> and supporting hydrologic analysis;
- the projected hydraulic impact (e.g., changes in flows and/or levels, stability of flows), if any, on any existing stations upstream or downstream of the project;
- Section 2.3.2
  - **STEP A:** responses to the questions, and supporting analysis and evaluation of the changes to the existing station
  - **STEP B:** analysis, evaluation and professional opinion on whether the collective effect of the changes will result in the “substantial replacement” of the power

<sup>2</sup> Some stations, particularly micro-hydro (station MCRs of up to 100 KiloWatts) and mini-hydro (station MCRs of between 100 KiloWatts and one MegaWatt), may have few, if any, components which are used to convey water. In these cases, the evaluation and review will focus on the changes made or proposed to be made to the power house.

<sup>3</sup> Calculated using the same method as Footnote 1.

<sup>4</sup> Calculated as the average of the January to March, April to June, July to September, and October to December monthly electricity generation.

<sup>5</sup> Calculated using the same method as Footnote 1.

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house and associated physical infrastructure for the conveyance and utilization of water

**NOTE:** If the project does not satisfy the substantial replacement test, proponents are to continue to evaluate it under Section 2.3.3 (below) to determine if it satisfies the test of being a station upgrade. Regardless of whether the project is deemed to satisfy the substantial replacement test, all applications are to include methods, models, assumptions, data, information, calculations, analysis and findings responsive to Section 2.3.3 so as to facilitate the efficient assessment of projects by MNR.

- Section 2.3.3
  - the method, models, assumptions, data and calculations used to route the average annual in-flows through the turbines and other relevant equipment, assuming the initial and projected MCRs, to reveal the projected percentage increase in the amount of electricity generated annually by the station, i.e., the technical improvement in efficiency, net of normal station maintenance;
  - in the application for final determination, the projected percentage increase, as estimated using measurements of the actual increase in electricity generation
- a construction schedule, including the actual or projected in-service date and, if the project capacity is being brought into service in increments over several years, the longest scheduled period of time between any incremental increase in capacity;

#### **Declarations (all applications)**

- a date, name, signature, contact information and seal of the qualified professional engineer who prepared or reviewed the application and its supporting documentation, and
- a date, name and signature of the proponent, or an officer who is duly authorized to represent the proponent.

### **2.3 Distinguishing between new, redeveloped and upgraded hydro-electric generating stations**

#### **2.3.1 New hydro-electric generating stations**

O. Reg. 124/02 specifies that a new station means a station that first generates electricity after December 31, 2000. The definition encompasses both water control structures redeveloped to generate electricity where no electricity was generated at the structure previously, and Greenfield developments.

New stations do not include stations which are proposed to be constructed on a footprint near, but not on the same footprint as a station that was generating electricity up to the time of the project. For the purpose of this procedure, these projects are redevelopments.

A new station with an in-service date prior to January 1, 2001 is only eligible for the 10-year water rental holiday set out in O. Reg. 106/95 (Hydro-electricity Charges) under the *Public Lands Act*.

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### **2.3.2 Redeveloped hydro-electric generating stations**

**All projects involving existing stations are to first be reviewed and assessed against this section to determine whether they meet the “substantial replacement” test.**

O. Reg. 124/02 specifies that a “redeveloped station” means a station at which improvements come into service after December 31, 2000 that include a “...substantially replaced power house and associated physical infrastructure for the conveyance and utilization of water.” The definition specifies the substantial replacement of both the power house and associated physical infrastructure.<sup>6</sup>

This definition imposes a high test, because under ss. 7(2) of O. Reg. 124/02, proponents of redevelopments may claim a 100% deduction from the GRC for electricity that is generated by the station for a 120-month period. The definition focuses on two broad components of a station:

1. the power house, which principally consists of:
  - a. electro-mechanical components including one or more generators (each with a stator, rotor and turbine generator shaft) and turbines (runners, wicket gates, draft tubes and tailrace);
  - b. electrical switchgear and controls for the electrical interconnection of the station to the grid, including the main output transformers; and,
  - c. the structure housing these components and its associated footprint

and,

2. the associated physical infrastructure for the conveyance and utilization of water, which typically, but does not necessarily, consist of all of the following:
  - a. dams, canals, tunnels, training walls, wing walls, penstocks, screens, headgates and their associated footprints.

The method set out below shall be used to evaluate whether a project meets O. Reg. 124/02’s test of “substantially replaced power house and associated physical infrastructure for the conveyance and utilization of water.” For Step A, a brief explanation shall be provided in response to each of the questions.

While the questions are framed in the present or future tense, they apply equally to projects which are now partially constructed or constructed and which came into service after December 31, 2000.

#### **STEP A: Evaluate the changes to the existing power house and physical infrastructure for the conveyance and utilization of water, the changes to the footprint of the station**

As set out in the guiding principles, a project need not maintain or increase generating capacity or annual electricity generation to pass the “substantial replacement” test. Rather, this test

<sup>6</sup> A redeveloped station with an in-service date prior to January 1, 2001 does not qualify for the 120-month GRC deduction under O. Reg. 124/02, or the 10-year water rental holiday under O. Reg. 106/95.

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focuses on whether the proposed work is sufficient to constitute a substantial replacement of the power house and associated physical infrastructure. It is expected that the redevelopment of a station would typically be not be contemplated to occur until components of the power house and/or physical infrastructure have come to the end of their useful lives.

A redevelopment could conceivably consist of, among other things, replacing all existing turbines in a station with a smaller number of turbines, resulting in reduced electrical generating capacity and generation. Such changes would need to be assessed together with the other questions as part of a complete evaluation.

Using the following questions, first evaluate the collective incremental change to the power house:

### 1. Power house

- is there a change in the total number of turbines, and if so, by what number?
- is the total installed generating capacity and projected annual electricity generation of the station changing, and by what amounts?
- is the equipment being changed to enable the station to peak (i.e., to permit generation to be scheduled during shoulder-peak or on-peak hours), or to more closely follow peak electricity loads?
- to what extent is the existing electrical switchgear and controls for the electrical interconnection of the station being replaced, as well as any expansion to accommodate the new generating capacity?
- to what extent is the structure housing these components being changed?
- to what extent is the existing foot print of the power house being changed, e.g., by constructing the power house on a new footprint, or demolishing and reconstructing it on the same footprint?
- are any other changes being made?

Using the following questions, evaluate the collective incremental change to the physical infrastructure for the conveyance and utilization of water:

### 2. Physical infrastructure for the conveyance and utilization of water

- to what extent is the station's dam(s) being replaced?
- to what extent are any associated canals, tunnels, training walls, wing walls or other concrete, rock-filled or earthen structures being replaced?
- to what extent are the penstocks being replaced?
- to what extent would the project result in a change in water storage capacity, water levels and/or station head?
- to what extent is the footprint of the physical infrastructure for the conveyance and utilization of water being changed, e.g., by constructing new infrastructure on a new footprint, or demolishing and reconstructing it on the same footprint?
- are any other changes being made?

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## **STEP B: Evaluation/determination of whether the project meets the “substantial replacement” test**

Based on the collective incremental change to both the power house and physical conveyance, a judgment is required as to whether changes satisfy a “substantial replacement” test. The proponent’s engineer must conclude, in their professional opinion, that the collective incremental changes have resulted or would result in a “...substantially replaced power house and physical infrastructure for the conveyance and utilization of water.” The ministry engineer assesses the proponent’s application to arrive at an opinion as to whether he or she concurs with its findings, with reasons.

Because of the unique circumstances of each project, it is impossible to develop a universal decision-rule for determining what constitutes “substantially replaced.” Some projects may consist of relatively large changes to some of the above components (e.g., water-to-wire components within a powerhouse), and relatively smaller changes to others (e.g., physical infrastructure). Notionally, a redeveloped station is a station that has had enough of its components replaced, rebuilt or rehabilitated as to be able to generate electricity for a similar period of time as would be expected from a new station, even though the output of the redeveloped station could conceivably be less than that of the existing station.

**NOTE:** If the project does not satisfy the substantial replacement test, the proponent’s engineer, in reviewing the project, is to continue to evaluate it under Section 2.3.3 to reach an opinion on if it qualifies as an upgrade, and if so, the projected percentage increase in electricity generation. To provide for an efficient assessment of applications by the ministry, proponents are to supply all methods, models, assumptions, data, calculations, analysis and findings required to respond to Section 2.3.3. However, in accordance with the guiding principles, if MNR determines that a project does consist of a redevelopment, it need not satisfy the upgrade’s test of a two percent increase in average annual electricity generation, net of normal station maintenance.

Beyond the questions set out in STEP A and the application form, the proponent’s engineer may include any other evidence or facts he or she considers material to the determination of project type.

The ministry engineer forwards the application and their opinion, with reasons, to the Manager, RES. The Manager, RES drafts either an interim or final determination, and forwards it, along with the application, and the ministry engineer’s opinion, with reasons, to the Minister. The Minister, in assessing the application and the ministry engineer’s opinion, may consider any other evidence, reason or fact that he or she deems material to the determination of project type in reaching an interim or final determination.

### **2.3.3 Upgraded hydro-electric generating stations**

O. Reg. 124/02 defines an upgraded station as one with improvements “...that increase the station’s generation of electricity by at least two per cent on an annual basis” which come into service after December 31, 2000.<sup>7</sup> As set out in guiding principles, the increase in generation is

<sup>7</sup> An upgraded station with an in-service date of prior to January 1, 2001 does not qualify for the 120-month GRC deduction under O. Reg. 124/02, or the 10-year water rental holiday under O. Reg. 106/95.

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simply a minimum requirement. Not all projects which increase generation by that amount or more are eligible for a deduction.

It is expected that proponents will propose various kinds of work that involve incremental expansions of electrical generating capacity and/or electricity generation. Evaluating projects as redevelopments involves judgments about whether the collective effect of the work constitutes a “substantial replacement” of the power house and associated physical infrastructure. On the other hand, station upgrades involve potentially more complex and formal analysis, and judgments about what works are eligible for inclusion in the calculation of the projected percentage increase in the amount of average annual electricity generation, in the determination of baseline generation, and the method used to calculate the projected percentage increase in electricity generation.

**a) Eligible works**

Of the works that have a bearing on amount of electricity a station can generate, station upgrades have the potential to consist of a wide array of activities, such as:

- replacements or modifications to existing generators and turbines, or the addition of new generators and turbines;
- replacement or modification of electrical switchgears and controls for the electrical interconnection, including the main output transformers;
- modification of the structure housing these components;
- modification of parts of the physical infrastructure for the conveyance and utilization of water, i.e., changes to dams, canals, tunnels, training walls, wing walls, screens and penstocks.

Upgrades will typically be carried out to make more efficient use of existing water supplies, e.g., to route water through turbines that is presently being spilled, and/or to produce more electricity using more efficient electro-mechanical equipment. In some instances, in-flows available for electricity production may also be increased through changes to existing diversion works or the construction of new works for diverting water.

For upgrades, the projected percentage increase in electricity generation is to be net of normal station maintenance, i.e., proponents are not eligible for tax relief on the efficiency losses that occur over time between the initial MCRs of equipment and the derated MCRs of this equipment. As such, pre-project station electricity generation is to be modeled using initial MCRs, and compared against the projected MCRs of the station following the upgrade. At the final determination stage, the projected percentage increase is to be estimated using measurements of the actual increase in electricity generation once the upgraded station is in service.

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**b) Calculation of baseline electricity generation**

Key to estimating the projected percentage increase in the amount of electricity generation associated with an upgrade is estimating the pre-project or baseline conditions against which the eligible change is to be compared.

Using the initial MCRs, proponents shall use a mathematical model to route historic in-flows through the station's turbines and other equipment as a means of estimating baseline average annual electricity generation (" $J_{\text{baseline}}$ " in the formula in Section 2.3.3 c)). Recent data on actual electricity generation is to be provided, for comparison purposes. All assumptions about turbines and other equipment, MCRs, water supplies and generation are to be documented clearly. The routing model and method of calculation are to be presented in a manner that permits replication and verification of the station's estimated average annual electricity generation using the initial MCRs.

In cases where in-flows are to be changed through the diversion of water, again, proponents shall use a mathematical model to route historic in-flow data through the station's turbines, using the initial MCRs, to estimate the station's baseline electricity generation.

Proponents and MNR staff may also use Environment Canada's Water Survey of Canada HYDAT database of hydrometric data and other sources of stream flow data to review and compare historic in-flows, and incremental in-flows associated with the diversion of water.

**c) Calculation of projected percentage increase in electricity generation**

To estimate the projected percentage increase in the average annual electricity generated by the station (" $Q_{\text{upgrade}}$ " in the formula below), proponents shall route the historic in-flow data through the same mathematical model as was used in Section 2.3.3 b), assuming the projected MCRs associated with the upgraded turbines and other equipment. Assumptions used in estimating the average annual generation associated with the upgrade are to otherwise be held constant.

For upgrades which include the diversion of water, the projected percentage increase in electricity generation is to be calculated taking into account the additional electricity generation that is attributable to the incremental additional in-flows, including the installation of any additional generating capacity, etc. The projected percentage increase is to be the increase in generation over and above the initial MCRs of the station. Additional analysis and information may be required from a proponent if there is regular spillage at the pre-project station over and above base flows required for regulatory purposes.

Again, the routing model and method of calculation are to be presented in a manner that permits replication and verification of the projected percentage increase in average annual generation by the station.

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The projected percentage increase in electricity production (“P”) shall be calculated to as follows:

$$P = (Q_{\text{upgrade}} / J_{\text{baseline}}) - 1$$

in which,

“J” is the station’s estimated average annual electricity generation

“P” is the projected percentage increase in the amount of electricity generated annually by the station, and

“Q<sub>upgrade</sub>” is the station’s estimated average annual generation for the year with the upgrade.

**NOTE:** At the interim determination stage, Q<sub>upgrade</sub> is to be estimated assuming the projected MCRs associated with the upgraded turbines and other equipment. At the final determination stage, Q<sub>upgrade</sub> is to be estimated using measurements of the actual MCRs of the new equipment, once the upgraded station is in service.

**d) Calculation of projected percentage increase in generation attributable to upgrade**

Subsection 7(3) of O. Reg. 124/02 specifies the formula for calculating the amount of electricity production that is eligible for deduction in a given production year as follows:

$$(P \times J)/(1 + P)$$

The projected percentage increase in the amount of average annual electricity generation which is attributable to an upgrade (and is eligible for the GRC deduction) is therefore:

$$P/(1 + P)$$

It is this percentage which is to be presented in the application for interim determination.

The application for final determination shall include an estimate of P using measurements of the actual increase in electricity generation (“Q<sub>upgrade</sub>”) once the upgraded station is in service.

Detailed calculations are to be provided in the supporting documentation to the application.

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### **3.0 Proponent filing of Interim and Final Determinations**

To obtain the GRC deduction, a proponent is obliged to mail the original of the final determination (Section 7 Statement) to:

Client Accounts and Services Branch  
Ministry of Revenue  
P.O. Box 625  
33 King Street West  
Oshawa, ON L1H 8H9  
Attn: Gross Revenue Charge

The Ontario Power Authority (OPA) is responsible for procuring new capacity and supplies of renewable energy from hydro-electric generating stations through various energy procurement instruments. As part of making an application to the OPA for a renewable energy supply contract, a proponent is encouraged to provide a copy of their interim determination and Section 7 Statement to the OPA.

### **4.0 General Inquiries**

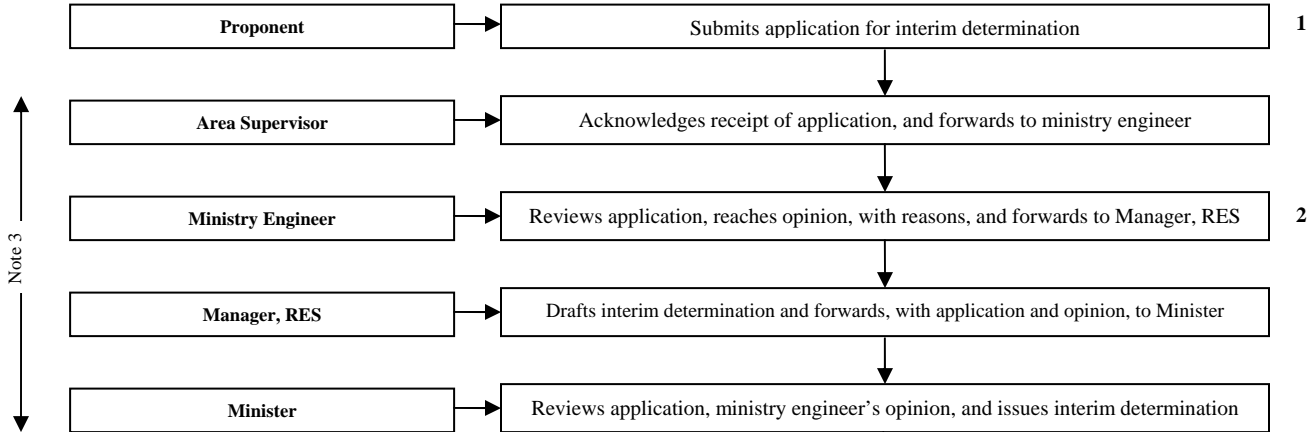
Proponents may wish to contact Renewable Energy Section about the potential applicability of the WR 3.02.01 Pol and this procedure to their project prior to preparing an application. Other general inquiries about this policy and procedure may be directed to the:

Renewable Energy Section  
Lands and Waters Branch  
Ministry of Natural Resources  
300 Water Street  
Peterborough, ON K9J 8M5  
(705) 755-5041  
(705) 755-1206 facsimile  
[renewable.mnr@ontario.ca](mailto:renewable.mnr@ontario.ca)

**APPENDIX A: MNR Statements Issued for the Purpose of Claiming Deductions to the Gross Revenue Charge under the *Electricity Act, 1998* – Application, Assessment and Filing Process** (Numbers on the right side of page refer to explanatory notes on following page)

**Interim Determination Stage**

Recommended that proponent initiate at project concept, feasibility or design stages

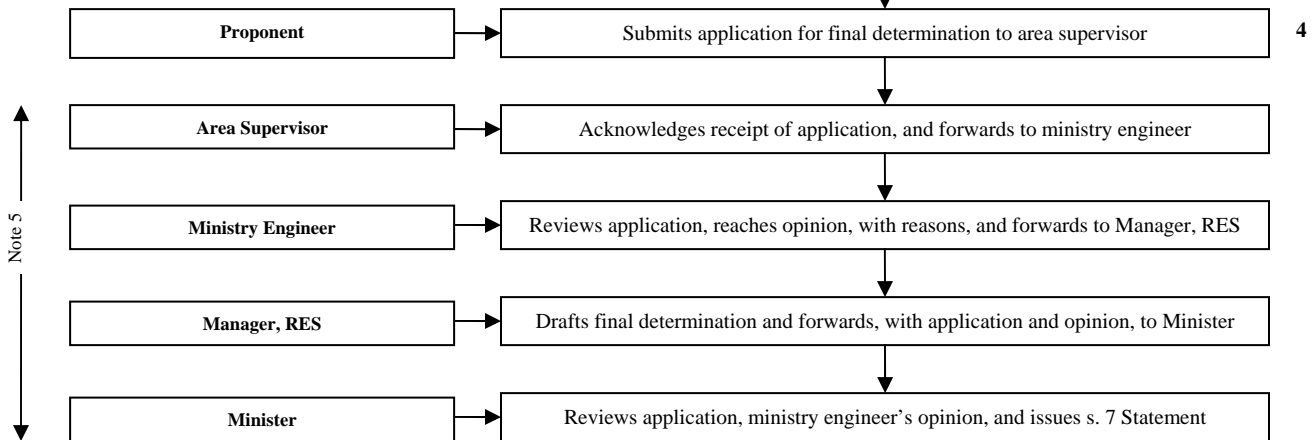


**Project Construction and Commissioning Stage**

Proponent receives authorizations to construct project, and constructs and achieves permanent in-service date of project

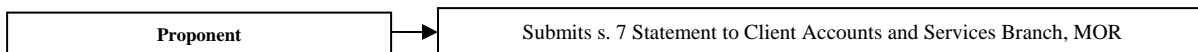
**Final Determination (Section 7 Statement) Stage**

Initiated by proponent following permanent in-service date of project



**Filing of Section 7 Statement**

Proponent required to file statement to begin receiving 120-month deduction to Gross Revenue Charge on eligible capacity



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## Explanatory Notes

1. At the time the proponent submits an application under the LRIA to construct or modify a works, he or she may submit an application for interim determination. If the proponent is otherwise unaware of the 120-month deduction to the GRC, the ministry area supervisor is to invite the proponent to submit this application.

The proponent is to have a qualified in-house or consulting engineer prepare or review, and sign and seal, an application for interim determination. WR 3.02.01 Pol and this procedure are to be used by the proponent and engineer to inform the preparation and submission of an application. A complete application means an application form for an interim or final determination (Appendix B) which has all its relevant parts filled out, and necessary supporting documentation (methods, models, assumptions, data and calculations, analysis and findings) attached, and includes a dated, signed and sealed declaration by the qualified professional engineer, and a dated and signed declaration by the proponent. A proponent must submit a complete application for the ministry to assess and issue a determination.

In evaluating a project, the principal questions a qualified professional engineer will typically be required to respond to, include:

- a) First, does the project consist of constructing and commissioning a new station?
  - b) Second, for all projects that involve existing stations, does the project qualify as a redevelopment, i.e., does it satisfy the “substantial replacement” test?
  - c) Third, if a project does not satisfy the “substantial replacement” test, does the station qualify as an upgrade (i.e., a projected increase in the amount of electricity generation that is attributable to the upgrade, net of normal station maintenance, of at least two per cent), and if so, what is the projected percentage increase?
2. The ministry engineer is to assess a proponent’s application in accordance with the WR 3.02.01 Pol and this procedure, and reach an opinion, with reasons, on the principal questions set out in note 1. above. The ministry engineer may request additional data and information as necessary for the purposes of carrying out this assessment.
  3. MNR will issue an interim determination within a 60-day target of receipt of a complete application for interim determination (Appendix C).
  4. Application for a final determination (Section 7 Statement) is to be made once a project has been commissioned and an in-service date has been achieved. This includes an application by a proponent who has not previously requested an interim determination.

As with the interim determination, the ministry engineer is to assess a proponent’s application in accordance with the WR 3.02.01 Pol and this procedure, and reach an opinion, with reasons, on the principal questions set out in note 1. above. The ministry engineer may request additional data and information as necessary for the purposes of carrying out this assessment.

For proponents who have received an interim determination, the ministry engineer’s opinion on the final determination will either confirm the findings of the interim determination, or the ministry engineer will reach a different opinion, on the basis of additional supporting documentation provided by the proponent, or other evidence or facts which are material to the determination, including modifications to the project which may have been required as part of its review and approval.

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For a project which was not approved under the LRIA, and a ministry engineer's review determines that an approval is required, MNR will not issue a final determination until the project is approved under s. 17.2 of the LRIA.

5. Where a proponent has obtained an interim determination, MNR will issue the Section 7 Statement (Appendix D) within a 30-day target of receipt of a complete application for final determination, unless the proponent provides additional supporting documentation, or the ministry engineer is obliged to consider other evidence or facts which are material to the determination, in which case the determination will be issued within a 60-day target.

Where a proponent has not previously obtained an interim determination, MNR will issue the Section 7 Statement within a 60-day target of receipt of a complete application for final determination.

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**Appendix B: Application Form for Interim or Final Determination**

**120-month Deduction to Taxes and Charges on the Gross Revenues of Hydro-Electric Generating Stations s. 92.1 of the *Electricity Act, 1998*  
Application Form: Interim Determination or Final Determination**

- This application form is to be completed following the Ministry of Natural Resources’ (MNR) Policy and Procedure WR 3.02.01 “New, redeveloped and upgraded hydro-electric generating stations – MNR statements issued for the purpose of claiming deductions to the Gross Revenue Charge under the *Electricity Act, 1998*”. The policy and procedure can be downloaded from MNR’s Renewable Energy Extranet, at: <http://www.mnr.gov.on.ca/MNR/renewable/extranet.html>
- Completed forms, with attached supporting documentation, are to be submitted to the MNR Area Supervisor responsible for the area in the administrative district in which the project is located. A list of MNR’s District and Area Offices appears at the end of this form.

Section 92.1 of the *Electricity Act, 1998* sets out the tax and charges payable by the owners of hydro-electric generating stations to the Ontario government. The section also provides for deductions to the tax and charges payable, for 120-months or longer as determined by regulation, resulting from investments in eligible capacity in new, redeveloped and upgraded stations. O. Reg. 124/02 (Taxes and Charges on Hydro-electric Generating Stations) under the *Act* sets out permitted deductions for eligible capacity.

All relevant parts of this application form must be filled out, necessary supporting documentation (methods, models, assumptions, data and calculations, analysis and findings) attached, and declarations completed for MNR to assess and issue a determination.

**PLEASE PRINT CLEARLY. ADDITIONAL DOCUMENTATION MAY BE SUBMITTED AS ELECTRONIC TEXT AND DATABASE FILES.**

**PART I – GENERAL INFORMATION**

<b>Application Type and Proponent</b>	
1. Application for Interim Determination:	2. Application for Final Determination:
3. Proponent Name:	
4. Proponent Contact:	
5. Position/Title:	
6. Address:	
7. City/Town:	
8. Province/State:	
9. Postal/Zip Code:	10. Country:
11. Phone No.:	12. Fax No.:
13. E-mail Address:	

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**PART I, CONTINUED – GENERAL INFORMATION**

<b>Project Location and Land Ownership</b>
13. Name:
14. Location (one or more of the following):
a. Twp., Lot, Con., Parcel, Survey Plan:
b. UTM coordinates (zone, easting, northing):
c. Latitude and Longitude (degree, minutes, seconds):
d. GPS coordinates:
15. Lake or river on which project situated:
16. Indicate who holds title to the land on which the existing or proposed station is or would be located:
a) Her Majesty the Queen in Right of Ontario:
b) Her Majesty the Queen in Right of Canada:
c) fee simple by a municipal corporation:
d) fee simple by a conservation authority:
e) fee simple by a corporation incorporated under provincial or federal corporations law:
f) fee simple by a private person, persons or limited partnership:

**PART II – NEW STATIONS**

1. Project scope, site plan and station description, including principal components of power house and associated physical infrastructure for conveyance and utilization of water	Attach detailed description and site plan	
2. Seasonally weighted average annual stream flow [cubic metres/second (cms)]:	Attach in-flow data, method, assumptions and calculations used to derive average annual stream flows	
3. Number of turbines:		
4. Projected maximum continuous rating of station (MegaWatts/cms):	Attach in-flows, method, model and assumptions used to calculate MCR, average electricity generation and percentage	
5. Projected average annual electricity generation (GigaWatt-hrs):		
6. Projected percentage of time station will generate electricity between 11 a.m. and 7 p.m. on business days, under normal weather conditions and operating circumstances:		
7. Project dates	a. Start of construction	Attach project schedule
	b. In-service dates (first synchronization of each unit)	
	c. Permanent in-service date	

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**PART III – EXISTING STATIONS (REDEVELOPMENTS AND UPGRADES)**

1. Ministry of Revenue Gross Revenue Charge Account Number:	
2. Existing station description – principal components of power house and associated physical infrastructure for conveyance and utilization of water	Attach description
3. Date station first commenced service:            day/month/year	
4. If station is presently not in service, date that service ended:	
5. Reason for ending of service, or interruption in service, of longer than 18 months	Attach reasons
6. Project scope, principally the changes to power house and associated physical infrastructure for conveyance and utilization of water, and site plan	Attach detailed description of project and site plan
7. Seasonally weighted average annual stream flow, pre-project (cms):	Attach in-flows, method, assumptions and calculations used to derive average annual stream flows, current and post-project
8. Seasonally weighted average annual stream flow, post-project (cms):	
9. Number of turbines, pre-project:	10. Number of turbines, post-project:
10. Maximum continuous rating of station, initial operation (MegaWatts/cms):	Attach method, model, assumptions used to calculate MCR and electricity generation
11. Average annual electricity generation, initial operation (GigaWatt-hrs):	
12. Projected maximum continuous rating of station, post-project (MegaWatts/cms):	Attach method, model, assumptions used to calculate MCR and electricity generation. At the final determination stage, this projection is to be based on measurements of actual electricity generation.
13. Projected average annual electricity generation, post-project (GigaWatt-hrs):	
14. Projected percentage of time station will generate electricity between 11 a.m. and 7 p.m. on business days, under normal weather conditions and operating circumstances:	
15. Project type (redevelopment or upgrade):	Attach responses to questions, supporting analysis, and findings of evaluation under Section 2.3.2 of WR 3.02.01 Pro.
16. Percentage increase in electricity generation attributable to project <sup>8</sup> :	Attach responses to questions, supporting analysis, and findings of evaluation under Section 2.3.3 of WR 3.02.01 Pro. At the final determination stage, this projection is to be based on measurements of actual electricity generation.

<sup>8</sup> Redevelopments need not result in an increase in electricity generation to be eligible for the deduction to the GRC. However, upgrades must be projected to result in an increase average annual electricity generation by at least two percent.

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17. Project dates	a. Start of construction		Attach project schedule
	b. If capacity is being expanded in increments over time, increments of when additional generation is scheduled to be added, and the longest scheduled break in construction		
	c. In-service dates (first synchronization of each unit)		
	d. Permanent in-service date		

**PART IV – ENGINEER’S DECLARATION**

The undersigned hereby declares that the data and information contained in this form, and supporting documentation, have been reviewed and evaluated using generally accepted principles and practices of hydro-electric power engineering, and is to the best of their knowledge, complete and accurate.	
Name (Please Print):	Title:
Business name and address (if other than in-house staff of proponent):	
Phone No.:	E-mail Address:
Signature (affix seal atop signature):	Date:

**PART V – PROPONENT’S DECLARATION**

The undersigned hereby declares that the data and information contained in this form, and supporting documentation, is to the best of their knowledge, complete and accurate, and consents to its release to MNR.	
Name (Please Print):	Title:
Signature:	Date:

Data and information requested in this application form is collected under the authority of the *Electricity Act, 1998*, Statutes of Ontario, 1998, Chapter 15, as amended, and Ontario Regulation 124/02, as amended. It will be used by MNR for the purposes of fulfilling its obligations under Section 7 of O. Reg. 124/02.

Questions about this application form should be sent via e-mail to Renewable Energy Section, Lands and Waters Branch, MNR at: [renewable.mnr@ontario.ca](mailto:renewable.mnr@ontario.ca)

**PART VI – FOR MNR USE ONLY**

Received By (Please Print):	Title:
Signature:	Date Received:

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**NORTHWEST REGION**

**Regional Office - Thunder Bay**

435 S. James St., Suite 221 P7E 6S8  
(807) 475-1261

**Atikokan**

108 Saturn Avenue P0T 1C0  
(807) 597-6971

**Dryden**

479 Government Road (Hwy.17), Box 730 P8N 2Z4  
(807) 223-3341

**Fort Frances**

922 Scott Street P9A 1J4  
(807) 274-5337

**Geraldton**

208 Beamish Avenue Box 640 P0T 1M0  
(807) 854-1030

**Ignace**

Box 448 P0T 1T0  
(807) 934-2233

**Kenora**

808 Robertson Street, Box 5080 P9N 3X9  
(807) 468-2501

**Nipigon**

5 Wadsworth, Box 970 P0T 2J0  
(807) 887-5000

**Red Lake**

227 Howey Street Box 5003 P0V 2M0  
(807) 727-2253

**Sioux Lookout**

Prince Street, Box 309 P8T 1A6  
(807) 737-1140

**Terrace Bay**

Box 280 P0T 2W0  
(807) 825-3205

**Thunder Bay**

435 S. James St., Suite B001 P7E 6S8  
(807) 475-1471

**SOUTHERN REGION**

**Regional Office - Peterborough**

4th Floor, South Tower, 300 Water Street, P.O. Box 7000 K9J 8M5  
(705) 755-2500

**Algonquin Park**

Box 219, Whitney KOJ 2M0  
(613) 637-2780

**Aurora, Greater Toronto Area (GTA)**

50 Bloomington Road W., R.R. #2 L4G 3G8  
(905) 713-7400

**Aylmer**

353 Talbot Street W. N5H 2S8  
(519) 773-9241

**Bancroft**

Box 500, Hwy. 28 K0L 1C0  
(613) 332-3940

**Bracebridge**

R.R. 2, Hwy 11 North @ High Falls Road P1L 1W9  
(705) 645-8747

**Chatham**

1023 Richmond Street, Box 1168 N7M 5J5  
(519) 354-7340

**Clinton**

100 Don Street, Box 819, Clinton, Ontario N0M 1L0  
(519) 482-3428

**Guelph**

1 Stone Road West N1G 4Y2  
(519) 826-4955

**Kemptville**

Postal Bag 2002, Concession Road K0G 1J0  
(613) 258-8204

**Kingston**

Ontario Government Bldg., Beachgrove Complex,  
798 King St. N. K7L 5S8 (613) 531-5700

**Midhurst (Huron)**

2284 Nursery Road L0L 1X0 (705) 725-7500

**SOUTHERN REGION (CONT'D)**

**Minden**

Hwy. 35 By-pass K0M 2K0  
(705) 286-1521

**Niagara** (formerly known as the **Fonthill** Office)

P.O. Box 5000, 4890 Victoria Ave. N, Vineland Station L0R 2E0  
(905) 562-4147

**Owen Sound**

1450 7th Ave. East N4K 2Z1  
(519) 376-3860

**Parry Sound**

7 Bay Street P2A 1S4  
(705) 746-4201

**Pembroke**

Riverside Drive, Box 220 K8A 6X4  
(613) 732-3661

**Peterborough**

300 Water Street, P.O. Box 7000 K9J 8M5  
(705) 755-2001

**Tweed**

Postal Bag 70, Old Troy Road K0K 3J0  
(613) 478-2330

**NORTHEAST REGION**

**Regional Office - South Porcupine**

Ontario Government Complex, Hy. 101 E. PO Bag 3020 PON 1H0  
(705) 235-1157

**Blind River**

62 Queen Avenue P0R 1B0  
(705) 356-2234

**Chapleau**

190 Cherry Street P0M 1K0  
(705) 864-1710

**Cochrane**

2 Third Avenue, Box 730 P0L 1C0  
(705) 272-4365

**Espanola**

148 Fleming Street, Box 1340 POP 1C0  
(705) 869-1330

**Gogama**

Box 129 P0M 1W0  
(705) 894-2000

**Hearst**

613 Front Street, Box 670 P0L 1N0  
(705) 362-4346

**Kapuskasing**

R.R.2 P5N 2X8  
(705) 335-6191

**Kirkland Lake**

Box 910, 10 Government Road, P2N 3K4  
(705) 568-3222

**Manitouwadge**

Box 309 P0T 2C0  
(807) 826-3225

**Moosonee**

Revillion Road Box 190 P0L 1Y0  
(705) 336-2987

**North Bay**

3301 Trout Lake Road P1A 4L7  
(705) 475-5550

**Sault Ste. Marie**

64 Church Street P6A 3H3  
(705) 949-1231

**Sudbury**

3767 Hwy. 69 South, Suite 5 P3G 1E7  
(705) 564-7823

**Timmins**

Ontario Government Complex, Hwy 101 East, P.O. Bag 3090  
South Porcupine, ON P0N 1H0  
(705) 235-1300

**Wawa**

Hwy. 101, Box 1160 P0S 1K0 (705) 856-2396

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## Appendix C: Interim Determination

Date

Proponent's name  
Mailing address

Dear

On the basis of the application provided to me by (Electron Energy Inc.), I have concluded that the work, if constructed as proposed, would result in the (development of a new/the redevelopment/the upgrading of the existing hydro-electricity generating station) situated on the Jones River, Plan x, Lots 1 and 2, Concession 3, Township of Smith, County/District of Whoville.

(If applicable: Further, the projected percentage increase in the station's average annual electricity production which is attributable to the upgrade is xx.xxxxxx%. This is the annual electricity production that would be exempt from the Gross Revenue Charge under the *Electricity Act, 1998* for 120 months.)

(If applicable: This work is subject to approval under the *Lakes and Rivers Improvement Act*.) Following the (If applicable: approval, and) completion of construction/modification of this work, and the achievement of an in-service date for the (new/redeveloped/upgraded) station, the Ministry will, upon receipt of an application from you, assess the application and issue a final determination. The final determination will reflect any modifications that may have been required to the project as part of its review and approval.)

The Ministry may request additional data and information, such as addenda to stamped drawings, product specifications and evidence of product installation; may inspect the project; and may consider other evidence or facts before issuing the final determination.

This statement may be amended and reissued by MNR in the future should evidence or facts which are materially different from those which were used to issue this statement become known to the Ministry.

Yours truly,

x  
Minister

c: District Manager, MNR District  
Manager, Renewable Energy Section, MNR  
Gross Revenue Charge, Client Accounts and Services Branch, MOR

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## Appendix D: Final Determination (Section 7 Statement)

Date

Proponent's name

Mailing address

Gross Revenue Account #

Dear

In accordance with Subsection 92.1 (6) of the *Electricity Act, 1998*, and Section 7 of O. Reg. 124/02 (Taxes and Charges on Hydro-Electric Generating Stations), as amended, I have concluded that:

1. The work carried out by (Electron Energy Inc.) consisted of the (development, re-development/upgrading) of the hydro-electric generating station situated on the Jones River, Plan x, Lots 1 and 2, Concession 3, Township of Smith, County/District of Whoville.
2. An approval issued by the Ministry of Natural Resources under the *Lakes and Rivers Improvement Act* was/was not required, and (If applicable: if an approval was required) the work was carried out in accordance with that approval.
3. The eligible capacity was put into service on month/day/year.
4. (If applicable: The projected percentage increase in the average annual electricity production which is attributable to the upgrade is xx.xxxxxx%.)

This statement may be amended and reissued by MNR in the future should evidence or facts which are materially different from those which were used to issue this statement become known to the Ministry.

Yours truly,

Minister

c: District Manager, MNR District  
 Manager, Renewable Energy Section, MNR  
 Gross Revenue Charge, Client Accounts and Services Branch, MOR