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Director, Environmental Assessment & Approvals Branch
Ministry of the Environment
2 St. Clair Avenue West
Toronto, Ontario
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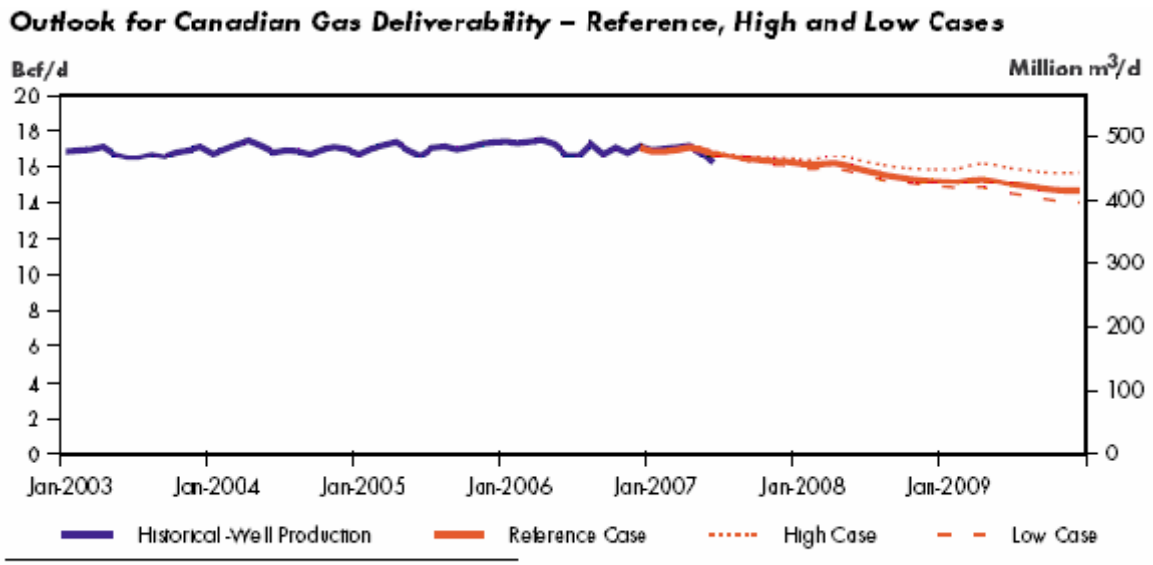
eaabgen@ene.gov.on.ca
January 16, 2009

Dear Director:

Re: CPV Nanticoke Energy L.P. (Proponent)
Nanticoke Energy Centre
Environmental Review Report
Haldimand County, Ontario

Natural Gas Production

Natural gas is a finite natural resource. When it's gone, it's gone. Production is sliding despite drilling a massive number of wells in this country. The National Energy Board (NEB) said in 2006 gas production will be down by 12% by the end of 2009. It fell 2% in 2007. The slide accelerated in 2008 to a 6% drop in the first nine months over the same period of 2007.

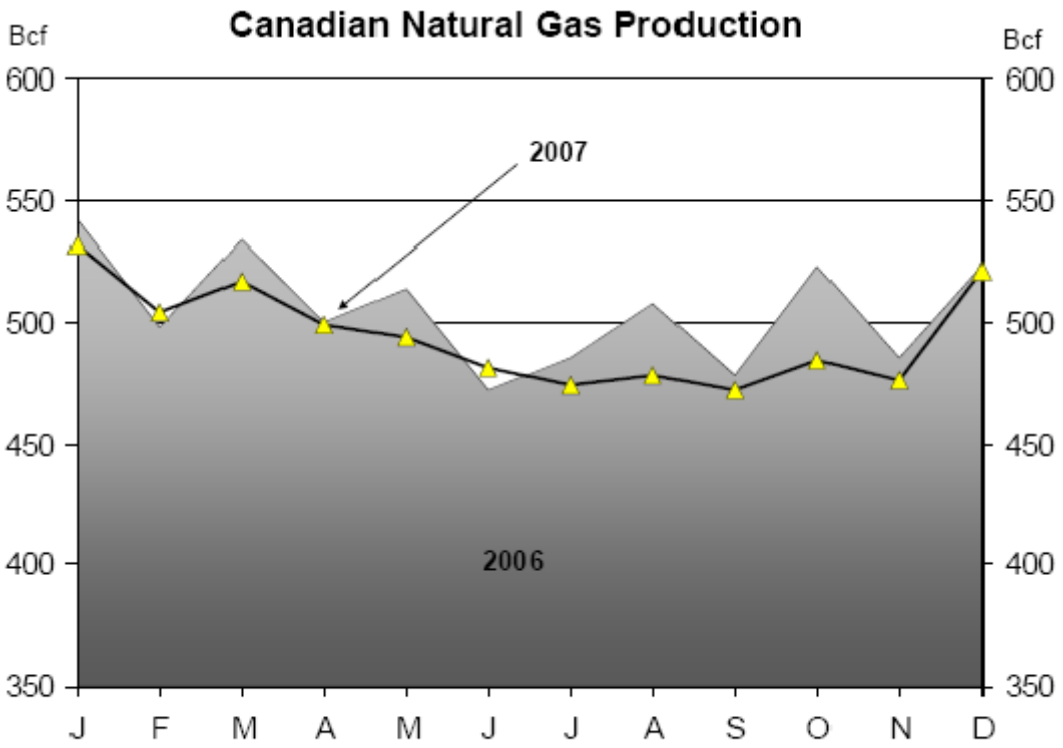


1 CAPP Statistical Handbook, Table 04-25B.

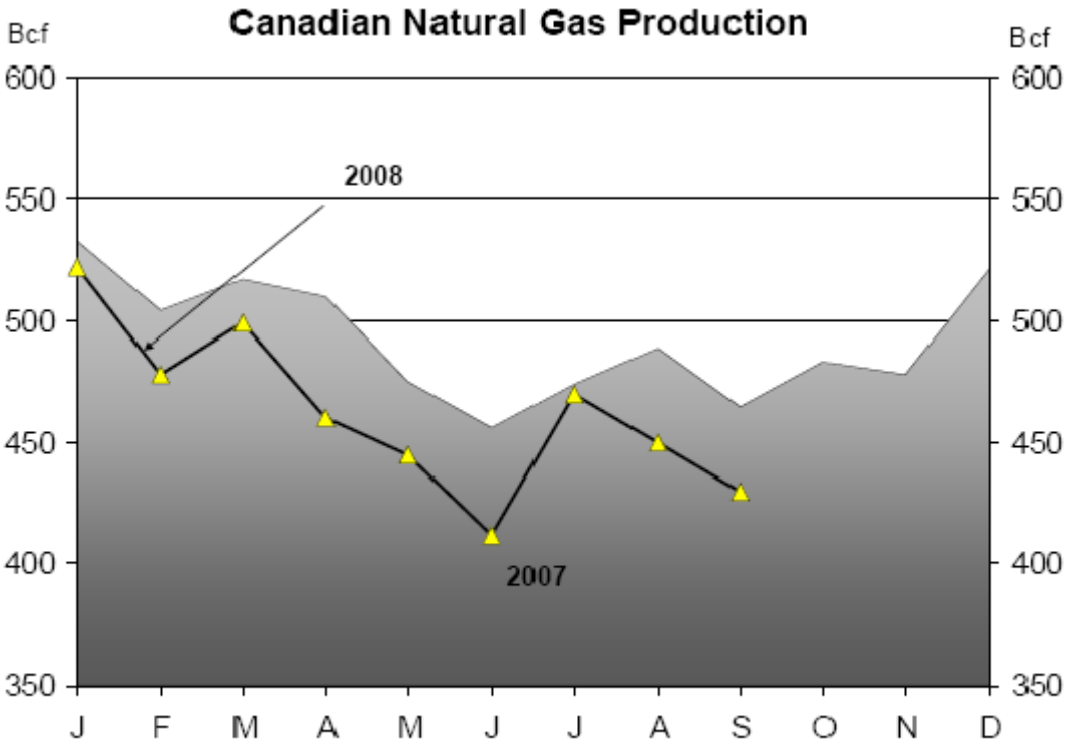
> Deliverability decreases under all three scenarios. Canadian deliverability is projected to fall to between 410 and 449 million m^3/d (14.5 to 15.8 Bcf/d) in 2009 from the 2006 level of 483 million m^3/d (17.1 Bcf/d) . (pg vi)
>
> In the moderate Reference Case scenario, Canadian gas deliverability in 2009 is projected to decrease by almost 59 million m3/d (2.1 bcf/d) to 424 million m3/d (15.0 Bcf/d). (pg vii) (Short-Term Canadian Natural Gas Deliverability 2007-2009)

The following graphs from NRCan's monthly natural gas updates show that the NEB projection is coming to fruition. Despite having stellar prices in the first nine months of 2008, production entered doubled digit declines from 2007 in at least two different months falling by 10% in both April and June.

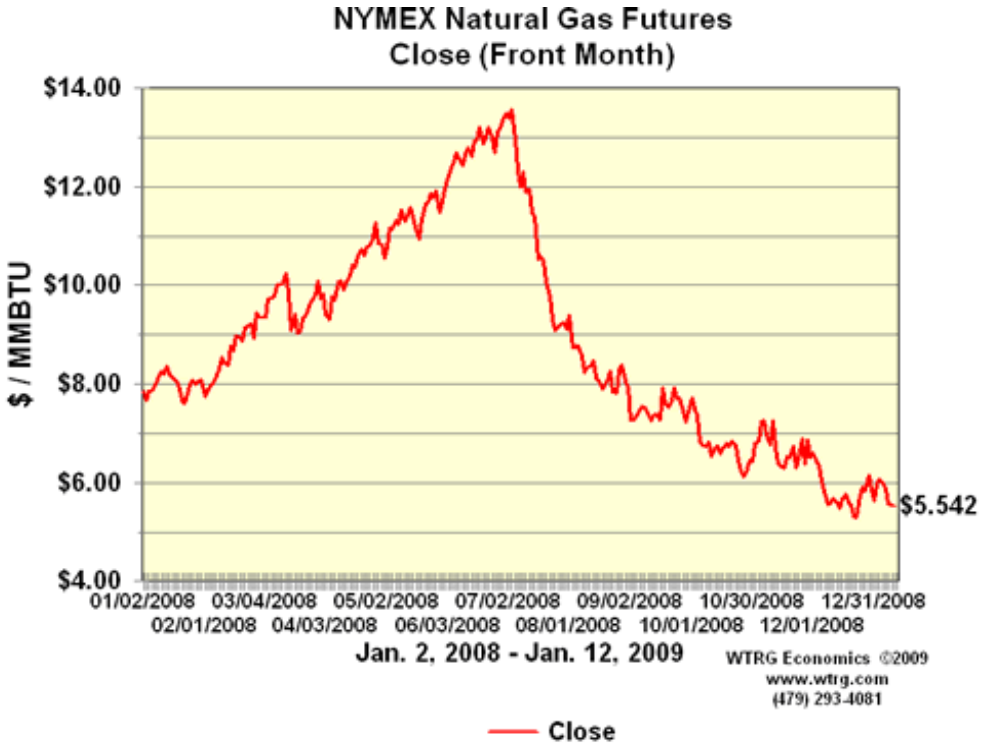
The NEB has different scenarios for future production. The best ones are based on a lot of ifs. If we get liquefied natural gas (LNG) from abroad; if we get gas from shale deposits; if we get gas from coal beds; if the MacKenzie valley pipeline is built. Nothing that can stem the fall of the 2.1 billion cubic feet/day that will have occurred by the end of 2009. One scenario is not pretty. It shows production falling off a cliff starting in 2010.



Source: Statistics Canada **Note:** Most recent month is a preliminary figure.



Source: Statistics Canada **Note:** Most recent month is a preliminary figure.



The Cost of Electricity

AbitibiBowater made it clear that the power price in this province is now the highest of any jurisdiction they operate in. Weyerhauser said the same thing three years ago. Dofasco has said Ontario no longer has competitively priced power.

We have the second highest priced power in Canada--88% higher than Quebec; 2.5 times higher than Manitoba. The government plan will increase overall power bills by about 46%. Many industries won't be able to absorb these increases and will cease to operate in this province.

Finance and Economic Affairs Committee, Thunder Bay, December 17, 2008

AbitibiBowater

...There are three components to this program. The original DR1 portion has been tinkered with and unilaterally changed by the Ontario Power Authority such that in September and October of this year, it was an ineffective tool in reducing my power costs. A demand response 2 program that was to replace DR1 and was supposed to be up and running by now is still under consideration. This program is the one that's right for my mill. The OPA has introduced a demand response 3 program, which has just started in the last few months. So before ending programs such as the northern pulp and paper electricity transition plan, **we need to ensure that replacement strategies suggested by your government are in place and are working, or we will not survive into the future.**

Having a competitive electricity cost is essential for us to continue to operate. The attached bar chart in your handout shows purchased power costs by location of some of the jurisdictions that we work in in North America. In this chart you can see that the northern pulp and paper electricity transition plan is a green credit at the bottom, underneath Thunder Bay. **It has lowered our power costs to the second-worst power costs in the areas that we do business with in North America. The mill that is in the highest region will be shutting down in December** to balance supply versus demand as its costs are too high because of power. When I made this presentation to the finance minister, I stated that. I now have an update. **As of December 4, this mill has now been idled indefinitely because of high power costs.** The attached press release is located in the handout.

Our rates at Thunder Bay are the next highest. Other jurisdictions on this chart have demand response programs and industrial power rates. **The province needs to join other jurisdictions in North America by creating industrial power rates to keep our manufacturing costs competitive.** This was discussed with some policy advisers on November 24...

Natural Gas To Make Electricity

In 1999, the U.S. National Petroleum Council said there was lots of natural gas and that it would be cheap well into the future. American utilities believed it and built over 200,000MW of gas-fired capacity, 50 times that of Nanticoke, and now we're stuck paying through the nose for natural gas, because it's in tight supply.

Premier McGuinty wants to use this precious fuel to make electricity to replace coal. A move that will drive the cost of generation up by 60-70% according to CIBC World Markets. When combined with other government initiatives, the total price of power will be about $129.97/MWh–a price we can't afford; a plan that will bring hardship.

Conclusion

I ask that for the sake of our province you would deny CPV the right to build this gas-fired power plant. If that is not possible, I ask that you would authorize an "Environmental Assessment" to further examine the socio-economic fallout from this plan to make electricity with natural gas.

Table 14: Range of Unit Cost Estimates ($/MWh)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Upper	103	104	109	110	112	115	116	121	122	123	125	128	129	126	124	123	124	124	126	127
Lower	85	87	89	90	93	96	96	101	102	102	102	103	105	99	97	96	97	97	98	98
Median	93	94	97	98	100	102	103	108	109	110	110	112	113	108	107	106	106	106	107	108

Source: OPA

Q. What is the cost to customer for the Plan period?

A. Table 15 below provides the cost per MWh for each cost category of the cost to customer model for the range of estimates. As illustrated in Table 15, the Debt Retirement Charge is assumed to no longer be a cost to customers as the stranded debt is estimated to be eliminated by 2021.

Table 15: Contribution to Unit Costs (2007 $/MWh)

	UNIT RATES ($2007/MWh)							
MEDIAN	2003	2004	2005	2006	2010	2015	2020	2025
Conservation (*)					$3.29	$3.90	$2.65	$2.20
Transmission	$9.27	$8.93	$8.87	$8.87	$8.72	$9.43	$10.63	$9.95
Wholesale & net settlement	$5.47	$5.57	$6.85	$5.28	$4.34	$4.48	$4.53	$4.44
Debt Retirement Charge	$7.43	$7.28	$7.14	$7.00	$6.47	$5.86	$5.31	$0.00
Distribution	$16.70	$16.00	$16.08	$18.57	$20.43	$22.84	$23.31	$23.22
Generation	$47.99	$46.17	$57.76	$48.42	$53.52	$61.80	$66.63	$65.95
UPPER BOUND								
Conservation					$3.62	$4.29	$2.91	$2.42
Transmission					$9.59	$10.37	$11.69	$10.94
Wholesale					$4.34	$4.48	$4.53	$4.44
Debt Retirement Charge					$6.47	$5.86	$5.31	$0.00
Distribution					$21.26	$24.97	$26.80	$28.05
Generation					$63.94	$71.14	$78.20	$78.22
LOWER BOUND								
Conservation					$2.96	$3.51	$2.38	$1.98
Transmission					$7.85	$8.48	$9.57	$8.95
Wholesale					$4.34	$4.48	$4.53	$4.44
Debt Retirement Charge					$6.86	$6.22	$5.63	$0.00
Distribution					$20.43	$22.84	$23.31	$23.22
Generation					$46.93	$55.81	$59.15	$58.00
* Historicaly, conservation costs are included in the Distribution costs								
Total Cost to Customer - Lower					$89	13% $101	$105	9% $97
Total Cost to Customer - MEDIAN	**$87**	**$84**	**$97**	**$88**	**$97**	**21% $108**	**$113**	**19% $106**
Total Cost to Customer - UPPER					$109	36% $121	$129	39% $124

Source: OPA
* Conservation costs prior to 2007 are included within Distribution costs

BASE 2003-2006 #89/MWh
CIBC PROTECTION OF #80/MWh FOR GENERATION COST FACTORED IN
FOR 2015 IF COAL IS PHASED OUT
MEDIAN: #126.51 42%
UPPER: #129.97 46%

Major North American Cities

Average Prices for Large-Power Customers[1]
(in ¢/kWh)[2]

1) For a monthly consumption of 3,060,000 kWh and a power demand of 5,000 kW; rates in effect April 1, 2008.
2) In Canadian dollars.