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File 10329

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**VIA EMAIL, COURIER
and RESS FILING**

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli

**RE: Hydro One Networks Inc. 2009-2010 Transmission Rate Application –
Capital Projects (D7 & D8) EB-2008-0272**

Enclosed please find the Power Workers' Union final argument in this proceeding.

An electronic copy has been posted through the Board's RESS filing system, and two hard copies have been forwarded to the Board via courier delivery.

We trust this is satisfactory.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

original signed by Richard Stephenson

Richard P. Stephenson
RPS:jr
Encl.

cc: Judy Kwik
John Sprackett

Doc 738466

HONORARY COUNSEL
Ian G. Scott, Q.C., O.C.
(1934 - 2006)

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Hydro One
Networks Inc. for 2009 and 2010 Electricity Transmission
Revenue Requirements – Supplemental Filing of Material
in Support of Capital Projects

Submissions of the Power Workers' Union

I. Background

1. On May 28, 2009 the Ontario Energy Board (“OEB” or the “Board”) issued a Decision with Reasons (EB-2008-0272) and denied approval of four Network Capital Projects that Hydro One Networks Inc. (“Hydro One”) proposed to be placed in-service in the 2010 test year. In the Board’s view, the evidence provided by Hydro One was insufficient.
2. The Board did however provide Hydro One the opportunity to submit additional supporting evidence for these four projects for purposes of setting 2010 rates provided that the additional evidence was filed by November 30, 2009.
3. On September 4, 2009 Hydro One provided a supplemental filing to the OEB requesting “the Board’s approval of the capital costs and additional revenue requirement for the transmission of electricity associated with two of the four disallowed projects, to be placed in service in 2010.”¹
4. The projects that Hydro One is requesting approval for are:
 - **Static Var Compensators (SVCs) at Porcupine TS and Kirkland Lake TS (D7)**
 - **Series Capacitors at Nobel SS (D8)**
5. Approval of projects D7 and D8 (the “Project”) will increase the previously approved capital program by \$82.7 million to a total of \$936.5 million in 2009,

¹ Hydro One Networks Inc. Supplemental Evidence, Filed September 4, 2009, Exhibit A, Tab 2, Schedule 1, Page 1, Lines 23 - 26

and by \$62.0 million to a total of \$1,057.6 million in 2010. The estimated impact on the 2010 Revenue Requirement is \$7.1 million.

II. Power Workers' Union's Comments

6. The PWU submits that the Board ought to approve Hydro One's Network Capital Projects D7 and D8 on the basis of the evidence provided in Hydro One's supplemental filing as well as the information provided by Hydro One in its response to interrogatories from Board Staff and intervenors. In the PWU's view, the Board should consider the evidence described below in making its determinations.
7. In its supplemental filing Hydro One provides the necessary evidence to support the need for the projects:
 - a. Hydro One states that Project D7 is required to meet the following needs:
 - **Allow the OPA to successfully procure approximately 500 MW of hydroelectric generation north of Porcupine TS from four specific projects that were directed by the Minister of Energy.**
 - **Promote the use and generation of electricity from renewable energy resources in a manner consistent with the policies of the Government of Ontario by providing for the timely reinforcement of the transmission system necessary to accommodate the connection of up to about 350 MW in additional generation to be procured in Northern Ontario.**
 - **Provide dynamic reactive power support to maintain supply reliability to electricity consumers north of New Liskeard.**
 - b. Hydro One states that Project D8 is required to meet the following needs:
 - **Allow the OPA to successfully procure approximately 500 MW of hydroelectric generation north of Porcupine TS from four specific projects that were directed by the Minister of Energy.**
 - **Promote the use and generation of electricity from renewable energy resources in a manner consistent with the policies of the Government of Ontario by providing for the timely reinforcement of the transmission system necessary to accommodate the connection of up to about 350 MW in additional generation to be procured in northern Ontario.**
8. While Project D7 and D8 will contribute to relieving congestion, Hydro One has successfully demonstrated in its supplemental filing and responses to

9. The Ontario Power Authority's ("OPA") May 2008 forecast² of additional resources expected in Northern Ontario was updated as of September 4, 2009³ indicating a total increase of 382 MWs:
- In-service and committed resources – increases from 246 MW to 387 MW
 - Other resources – increases from 134 MW to 375 MW.
10. According to the OPA "while some of the expected in-service dates of the generation resources have changed, the OPA expects a large amount of near-term resources to come into service that will require these transmission reinforcements" and further notes that without these projects "there will not be enough transmission capability available to allow new renewable resources to come into service in the near-term"⁴.
11. New government policy embedded in the Green Energy and Green Economy Act and the launch of the Feed-in Tariff ("FIT") continue to support the need to increase the capability of the N-S Interface. There is now the expectation for province-wide increased renewable generation. Generation resources contracted through the FIT program could come into service as early as 2011 or 2012. The OPA's FIT program website "identifies 100 MW of connection availability in northwestern Ontario and 300 MW in northeastern Ontario. These connection availability values assume that projects D7 and D8 would proceed. Without the completion of projects D7 and D8, as noted by the OPA in response to interrogatories I-4S-38, I-6S-72 and I-6S-73, part d, there would be no connection availability for FIT projects to proceed in Northern Ontario."⁵

² Ibid, Exhibit C, Tab 1, Schedule 2, Page 3, Table 2

³ Ibid, Page 7, Table 4

⁴ Hydro One Networks Inc. Supplemental Evidence, Filed September 4, 2009, Exhibit C, Tab 1, Schedule 2, Page 9

⁵ Ibid, Exhibit I, Tab 1S, Schedule 92, Page 3, Lines 28 - 33

12. The level of southbound flows on the N-S Interface is currently operating near its capacity of approximately 1,300 MW without the use of generation rejection (“GR”). The new generation resources will significantly increase the southbound flows on the N-S Interface.
13. In its System Impact Assessment Report⁶ the Independent Electricity System Operator (“IESO”) states that project D7 and D8 will increase the N-S Interface transfer capability by 500 MW to 1,800 MW and with the use of GR the transfer capability is further increased to 2,150 MW allowing access to new renewable generation in the North and providing congestion relief during critical peak load conditions.
14. The SVC being installed at Kirkland Lake TS (part of project D7) will permit the power flow south from Porcupine TS to exceed its existing limit, thereby allowing the Lower Mattagami Development directed by the Minister of Energy.⁷
15. The IESO confirmed the adequacy and necessity of the facilities proposed by Projects D7 and D8, noting that “the enhanced transfer capability provided by the installation of these new facilities would be adequate to accommodate all of the existing & committed generating facilities north of Sudbury together with an increase of 433MW in the output from the expanded Mattagami River plants”⁸.
16. Hydro One coordinated with the IESO and the OPA to analyse alternatives for increasing the transfer capabilities of the N-S Interface and the transmission north of Sudbury. Project D7 and D8 were found to be the only options that can address the transmission constraints and existing and impending reliability concerns, allow access to all of the existing generation north of Sudbury, and allow the development of planned renewable generation resources in Northern Ontario, with a near term in-service date of 2010.
17. The qualitative analysis of alternatives provided by Hydro One in collaboration with the IESO and the OPA is sufficient to support the need for the projects and there are no parties better qualified, or mandated, to make recommendations on issues of supply resource adequacy and reliability in terms of technical capacity

⁶ Ibid, Exhibit C, Tab 1, Schedule 4 & 5

⁷ Ontario Power Authority letter to Hydro One, dated May 20, 2008

⁸ Ibid, Exhibit C, Tab 1, Schedule 4, Page 3

of existing transmission and distribution resources than the OPA, the IESO and Hydro One itself.

18. When the Board denied the two projects in its earlier decision dated May 28, 2009, the Board not only stated that it would leave the proceeding open to consider more evidence on the projects, but also assured the applicant that it would ensure a streamlined process to consider any new evidence on these projects. The Board should balance its expectation of what it understands to be 'sufficient evidence' in this matter with its commitment to streamline the process and reject calls for further analysis such as quantitative economic evaluation of the projected benefits attributable to the projects. Such analysis, which requires an enormous amount of data and resources with respect to technical capability of existing resources and amount of future generation resources is unrealistic at this stage and, in fact, may ultimately provide the Board with little help in making its determination on the two projects.

III. CONCLUSION

19. For all the above reasons, the PWU respectfully submits that Hydro One has met the Board's expectation in providing the additional evidence required in support of the proposed Network Capital Projects D7 and D8, and therefore, the Board should approve the projects as proposed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED