

IN THE MATTER OF sections 70 and 78 of the Ontario Energy Board Act 1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF a Board-initiated proceeding to designate an electricity transmitter to undertake development work for a new electricity transmission line between Northeast and Northwest Ontario: the East-West Tie Line.

**ARGUMENT IN CHIEF
OF ALTALINK ONTARIO, L.P.**

DELIVERED: APRIL 18, 2013

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EB-2011-0140

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A. INTRODUCTION

1. AltaLink Ontario, L.P. (“**AltaLink Ontario**”) submits this written argument in chief in accordance with Procedural Order No. 6. AltaLink Ontario appreciates the opportunity to work with the Board in this, Ontario’s first competitive designation proceeding.
2. In preparing these submissions, AltaLink Ontario makes reference to its Application for designation filed January 4, 2013 (the “**ATL Application**”) and its written interrogatory responses filed March 28, 2013 (the “**ATL IRRs**”).
3. This Argument in Chief is organized into the following sections:
 - A. Introduction
 - B. Process Issues – A Response to Board Staff’s Submissions
 - C. The Competitive Designation - Selecting the Most Qualified and Cost-Effective Transmitter
 - C.1 The AltaLink Ontario Application
 - C.2 The Canadian Niagara Power Inc. (“**CNPI**”) Application
 - C.3 The EWT LP (“**ELP**”) Application

- C.4 The Icon Transmission, Inc. and TransCanada Power Transmission (Ontario LP) (“**ICN/TPT**”) Application
- C.5 The RES Transmission LP (“**RES**”) Application
- C.6 The Upper Canada Transmission Inc. (“**UCT**”) Application
- D. Conclusions

B. PROCESS ISSUES – A RESPONSE TO BOARD STAFF’S SUBMISSIONS

- 4. AltaLink Ontario has reviewed Board Staff’s submission dated April 8, 2013 and makes the following submissions in response.
- 5. *No exemptions requested* - AltaLink Ontario takes note of Staff’s observation that certain sections of the transmission licence and referenced codes would not apply unless and until a designated transmitter has actual transmission assets in Ontario. In light of this approach, AltaLink Ontario does not seek any exemptions from the terms in the standard transmission licence. AltaLink Ontario acknowledges that if designated it would be responsible to comply with all regulatory requirements as soon as those requirements become applicable. AltaLink Ontario is not seeking any special treatment in this regard.
- 6. *Creation of a deferral account* - AltaLink Ontario supports the establishment of a deferral account for recording the designated transmitter’s actual development costs together with an order confirming that development costs up to the budgeted amount are to be regarded as recoverable from ratepayers. AltaLink Ontario submits that if it is designated it should be permitted to track actual development costs incurred starting on the date its Application was submitted with the Board on January 4, 2013. As noted below, AltaLink Ontario is not seeking recovery of \$1.6 million for work to prepare its Application completed prior to January 4, 2013.
- 7. *Licence term and milestone conditions* - AltaLink Ontario also supports the establishment of a 20 year term for the designated transmitter’s licence, and the imposition of a requirement to adhere to the ten (10) major milestones proposed by Board

Staff at page 4 of their submissions. AltaLink Ontario agrees with Staff's suggestion that the designated transmitter should be held to the schedule that transmitter proposed in its Application, subject to a provision for delays that arise due to exceptional circumstances which are outside of the designated transmitter's reasonable control. The most practical way to establish the specific milestones would be for the Board to require the designated transmitter to, following designation, re-file the development schedule proposed in its application subject only to the two specific changes identified by Board Staff.

8. ***If the Board sets a single development schedule*** – If, in the alternative, the Board determines that a single development schedule should be imposed on the designated transmitter, AltaLink Ontario agrees with Staff that the Board should provide all applicant transmitters with an opportunity to make submissions on the proposed schedule. This is particularly relevant for AltaLink Ontario, which indicated in its Application that it has flexibility in its schedule should the Board wish to advance the in-service date by accelerating AltaLink Ontario's proposed schedule by as much as 12 months (ATL Application, Part B, Section 7.3.4).
9. ***Periodic reporting*** – AltaLink Ontario is proposing to implement formal bi-monthly progress reporting with the Board from the point of designation until filing of leave to construct (ATL Application, Part B, Section 7.2.2). However, AltaLink Ontario is also willing to comply with quarterly reporting as proposed by Board Staff if the Board determines that less frequent reporting is preferable. AltaLink Ontario agrees with the list of matters to be addressed in such periodic reporting as identified by Board Staff at page 5 of their submissions (whether quarterly or bi-monthly).
10. ***Consequences of a failure to meet a milestone*** – AltaLink Ontario submits that when determining the consequence of a particular failure the Board should take into account the nature and severity of the failure, the specific circumstances of the failure, the consequences of the failure and the designated transmitter's efforts and proposal to address or otherwise mitigate the failure. AltaLink Ontario acknowledges that the loss of

designation and the inability to recover development costs are two potential consequences of failure, however AltaLink Ontario agrees with the suggestion that the consequences of failure and the specific sanctions to be imposed should only be determined at the time of breach - and that increased frequency and rigour of reporting, and co-operating with or undertaking an audit of performance are other practical sanctions for failures that do not have significant consequences.

11. ***Prudence review of cost overruns*** AltaLink Ontario agrees with Staff's suggestion that the Board should conduct a mandatory prudence review of any development cost overruns exceeding a 10% materiality threshold. When combined with AltaLink Ontario's proposal to share, on a 50/50 basis, any over or under expenditures up to 10% of the budgeted development costs (ATL Application, Part B, Section 8.6), this approach would ensure that ratepayers' interests are best protected in the event of any development costs overruns whether above (via a prudence review) or below (the utility absorbs 50% of the cost overruns) the 10% materiality threshold.

C. THE COMPETITIVE DESIGNATION – SELECTING THE MOST QUALIFIED AND COST-EFFECTIVE TRANSMITTER

12. AltaLink Ontario acknowledges the efforts of the Board and Staff to successfully bring this process to where we are today. The Board's policy has already largely been a success in terms of:
 - Encouraging new transmission entrants in Ontario, bringing with them new and additional resources for project development. AltaLink Ontario and three (3) other applicants are *bona fide* new transmission entrants in Ontario.
 - Providing greater regulatory predictability in relation to cost recovery for development work. Six (6) separate applications have been submitted containing proposals to develop the East-West Tie Line.

13. It is now the Board's task to select from among these six (6) applications "*the most qualified and cost-effective transmission company to develop the East-West Tie.*" The foregoing is a direct quote from the Minister of Energy's March 28, 2011 letter to then Chair of the Ontario Energy Board expressing the Government's interests in the Board undertaking this designation process. In making its determination, AltaLink Ontario submits that the Board should be guided by the following three key principles.
14. **First, the Board's primary objective in this proceeding should be to select the most qualified and cost-effective transmission company to develop, and to bring a leave to construct application for, the East-West Tie Line.¹**
15. While the Board indicated in its Phase 1 Decision and Order that it intends to consider forecasted construction schedules and costs, AltaLink Ontario submits that this information is, at this point in time, of limited value and should be weighed accordingly. None of the applicants in this process have completed the necessary development work to provide a detailed evidentiary backing for their construction forecasts. Further, the construction costs and schedules are not binding on an applicant – rather these issues will be re-assessed in detail by the Board as part of a leave to construct or subsequent rate proceeding.
16. **Second, the Board should continue to ensure that there is a level playing field as between new entrants and incumbent transmitters to compete on a fair and balanced basis.**
17. In this regard, AltaLink Ontario submits that the Board should not give preference to incumbent transmitters who have existing First Nation and Métis participation arrangements. AltaLink Ontario expects that the incumbent transmitters may, contrary to the Board's Phase 1 Decision and Order,² argue the Board should favour existing

¹ The Board acknowledges this as its primary objective at page 3 of the Phase 1 Decision and Order dated July 12, 2012.

² See Page 8 of the Phase 1 Decision and Order dated July 12, 2012.

participation arrangements. Doing this would unfairly favour incumbent transmitters because of their existing presence in Ontario directly at the expense of new transmission entrants. It is noteworthy that only the incumbent transmitters, CNPI and ELP, had First Nations (but not Métis) participation in place at the time of application. This is expected. Incumbent transmitters have an existing presence in Ontario that may facilitate existing relationships with certain First Nations. It is important in these circumstances that the Board maintain the approach it set out in the Phase 1 Decision and Order not to look more favourably upon First Nation or Métis participation that is already in place at the time of application than upon a high quality plan for such participation. AltaLink Ontario supports the Board's approach in this regard.

18. **Third, the Board should look more favourably on proposals that give all First Nation and Métis communities that are identified as being directly affected by the East-West Tie Line an equal opportunity to meaningfully partake in all forms of participation in the project.**

19. AltaLink Ontario submits that this approach is consistent with the government's interest in promoting First Nations and Métis participation in energy projects as expressed in the Minister's letter to the Board dated March 29, 2011 and the Board's own intent in establishing First Nation and Métis participation as a separate criterion for evaluation at page 7 of its Phase 1 Decision and Order. This approach ensures that the Board will not be endorsing a participation plan that proposes "winners" and "losers" as among the directly affected First Nation and Métis communities. It recognizes that First Nation and Métis communities directly affected by the East-West Tie Line have a greater interest (due, in part, to the impacts on their communities and traditional territory) than those other First Nation and Métis communities that, while they may be interested in the development, will not be directly affected by the project. It also recognizes that the interests of all directly affected First Nation and Métis communities should be addressed in a registered transmitter's participation plan. No directly affected First Nation or Métis community should be excluded from the opportunity to partake in all forms of

participation, whether in the form of equity participation, training, employment, and contracting opportunities. Finally, by favouring an equal opportunity to participate, the Board is not pre-judging particular outcomes in terms of actual participation arrangements, which will largely be determined in the course of negotiations by the interests of each of the directly affected communities.

20. Finally, it is worth reiterating AltaLink Ontario's prior observation that, as noted in its March 16, 2012 intervention objection letter, in total five ELP related entities have intervened in this proceeding: Hydro One, HONI, GLPT, GLPT EWT LP, and the Ojibways of Pic River First Nation. AltaLink Ontario submits that the Board should consider such relationships when assigning the appropriate weight to the submissions of the various parties to this proceeding.
21. With these general observations made, AltaLink Ontario will provide its submissions on each of the Applications for designation received by the Board, starting with its own.

C.1 The AltaLink Ontario Application

22. AltaLink Ontario submits that, when objectively comparing its Application against those of the other registered transmitters, AltaLink Ontario is clearly the most qualified and cost effective transmission company to develop the East-West Tie Line.

a) Organization

23. AltaLink Ontario is a newly created Ontario limited partnership whose sole business purpose is to develop, build, own, operate and maintain regulated transmission facilities in Ontario (ATL Application, Part B, Section 2). AltaLink Ontario holds an Electricity Transmission Licence (ET-2011-0126) which will become effective immediately upon designation by the Board. AltaLink Ontario is fully committed to developing and operating the East-West Tie Line in compliance with all applicable legislative and

regulatory requirements including filing a leave to construct application in the form and substance required by the Board (ATL Application, Part B, Section 1.5).

24. AltaLink Ontario's organizational plan for the East-West Tie Line integrates the experience and expertise of AltaLink Ontario's Alberta and Ontario based affiliates, with a planned office in Thunder Bay offering long-term local employment opportunities (ATL Application, Part B, Section 2.1).
25. The hallmark of AltaLink Ontario's Application is the accumulation of relevant transmission capabilities and experience that AltaLink Ontario brings to the East-West Tie Line. AltaLink Ontario and its Alberta affiliate AltaLink, L.P.'s sole business is transmission. Neither have generation, distribution or any other type of business interests. There is no competition for capital, resources or attention from other business lines. AltaLink Ontario's entire focus is on the development and operation of transmission facilities in Ontario.
26. AltaLink, L.P. will provide support services and expertise in operating and maintaining the line. AltaLink, L.P.'s only business is regulated transmission and its significant transmission and regulatory experience is directly relevant to and will be brought to bear on all aspects of the East-West Tie Line project (ATL Application, Part A, Section 2 and Part B, Sections 2.3 and 2.4).
27. SNC-Lavalin will provide planning and development as well as EPC services. SNC-Lavalin is a leading provider of EPC services for power facilities and infrastructure and has planned, designed and constructed over 90,000 kilometres of transmission and distribution lines and some 1,500 substations, including a number of major facilities in Ontario (ATL Application, Part B, Sections 2.3).
28. AltaLink Ontario's proposal includes a future local office in Thunder Bay that will have overall management accountability for operations and maintenance of the line. The majority of operations and maintenance functions, including vegetation management and

right of way maintenance, will be contracted out to companies located in the project area whenever possible – creating direct local employment opportunities and benefits (ATL Application, Part B, Section 2.1.2).

b) First Nation and Métis Participation

29. AltaLink Ontario has differentiated itself from all the other registered transmitters by proposing an innovative and inclusive framework for both First Nations participation and Métis participation, including an option to acquire up to 49% equity in the project LP as well as offering training, employment, capacity building and other economic and social benefits (ATL Application, Part B, Section 3.2). No other registered transmitter has proposed a higher level of equity participation or a more inclusive or comprehensive participation framework.
30. Unlike other registered transmitters which appear to have pre-picked winners and losers (ELP) or fail to differentiate between communities that are directly affected by the proposed East-West Tie Line and those that are interested (CNPI), AltaLink Ontario's proposal is to involve on an equal basis all First Nations and Métis communities identified by the Ministry of Energy as being directly affected by the proposed East-West Tie Line while giving interested First Nation and Métis communities an opportunity to participate in priority employment, training and contracting benefits (ATL IRRs, General IR #6).
31. AltaLink Ontario submits that its proposed approach to participation best recognizes the proximity of the project on affected First Nations and Métis communities and their traditional lands, while still acknowledging and facilitating the participation of other interested First Nations and Métis communities. By providing an equal opportunity to all affected First Nations and Métis communities to participate, AltaLink Ontario's approach does not prejudice the level of interest of any affected First Nation or Métis community.

32. By contrast, ELP has proposed an approach to participation that automatically excludes from any equity participation eight (8) First Nations and (4) Métis communities that have been identified as being directly affected by the East-West Tie Line. One might ask why these communities were deliberately excluded from participation by ELP without ELP having bothered to initiate contact with them (ELP Response to General IR #11). AltaLink Ontario can confirm from its discussions that many of the First Nation and Métis communities excluded by ELP's participation framework have expressed an interest in equity participation in the East-West Tie Line.
33. AltaLink Ontario submits that its proposed approach to participation better reflects the impact of the proposed East-West Tie Line on the affected First Nation and Métis communities as it does not dilute the available 49% equity stake by making it available to a large number of interested, but not directly affected, groups.
34. AltaLink Ontario has put forth a comprehensive and detailed equity participation framework and plan. Unlike most of the other registered transmitters, AltaLink Ontario has been proactive and has made contact with all of the First Nations and Métis communities identified in the Ministry's letter, including arranging meetings with the identified First Nations and Métis communities in ATL IRRs, AltaLink Ontario IR #3. The input received during these meetings informed AltaLink Ontario's proposed First Nation and Métis participation framework (ATL Application, Part B, Section 3.2).
35. AltaLink Ontario has put in place a very strong and capable team of individuals focused on negotiating First Nations and Métis participation, which team includes senior and experienced AltaLink Ontario personnel working together with Mr. Phil Fontaine, former National Chief of the Assembly of First Nations and his team at Ishkonigan Consulting & Mediation (ATL IRRs, General IR #5).
36. AltaLink Ontario, through its Alberta affiliate, also has a successful track-record of negotiating First Nations participation arrangements, with participation arrangements in place with both the Blood and Piikani First Nations in respect of the 90 km double circuit

240 kV Southwest Alberta transmission project between Pincher Creek and Lethbridge (ATL Application, Part B, Section 10.2, and ATL IRRs, AltaLink Ontario IR #1). AltaLink Ontario's experience is that this participation arrangement is critical in facilitating land acquisition for a new right of way. The partnership also established a long-term relationship with the First Nations that will be beneficial for future construction and ongoing operations and maintenance activities. This is evidence that AltaLink Ontario has a successful track record in the negotiation of First Nations participation that the Board can have confidence in.

c) Technical capability

37. AltaLink Ontario has provided evidence of its technical capabilities in respect of design, engineering, procurement, licensing and permitting, environmental assessment and other regulatory approvals, consultations with First Nations and Métis and other local communities, construction, operations and maintenance and project management (ATL Application, Part B, Section 4.1), including resumes of key technical personnel (ATL Application, Part C, Appendix 4) and a description of projects that illustrate AltaLink, L.P.'s experience in developing and constructing transmission projects similar to the East-West Tie Line (ATL Application, Part C, Appendix 3).
38. AltaLink Ontario has also provided detailed evidence of its experience with the acquisition of land use rights from private landowners and the Crown; the acquisition of necessary permits from government agencies; obtaining environmental approvals similar to the environmental approvals that will be necessary for the East-West Tie Line; community consultation; completion of the procedural aspects of Crown consultation with First Nation and Métis communities; construction; environmental protection planning; and operations and maintenance (ATL Application, Part B, Section 4.3).
39. As an established transmitter with regulated assets in Alberta, AltaLink has also provided evidence that its business practices are consistent with good utility practices for the design; engineering; material and equipment procurement; right-of-way and other land

use acquisitions; licensing and permitting; consultations with First Nation and Métis, landowners, communities and other stakeholders; construction; operation and maintenance; project management; safety; environmental compliance; and regulatory compliance (ATL Application, Part B, Section 4.4).

40. Finally, AltaLink Ontario has identified a comprehensive list of the challenges involved in achieving the required capacity and reliability of the East-West Tie Line together with a plan for addressing each of these challenges through the design and construction of the line, including in respect of challenges related to terrain, weather, line crossings, line routing, tower optimization, anti-cascading, undefined sub-bay changes, and conductor galloping (ATL Application, Part B, Section 4.5).
41. Taken as a whole, there is no question that AltaLink Ontario, in conjunction with its affiliates and third party agreements, will deliver sufficient and expert resources to meet the magnitude and complexity of engineering, planning, constructing, operating and maintaining the East-West Tie Line.

d) Financial capacity

42. AltaLink Ontario has provided detailed evidence that its affiliates have capital resources that are sufficient to develop, finance, construct, operate and maintain the East-West Tie Line, including providing the latest financial statements of SNC-Lavalin and evidence of the stable investment grade credit ratings of both SNC-Lavalin and AltaLink, L.P. (ATL Application, Part B, Sections 5.1 and 5.2 and Part C, Appendix 7 and Appendix 8).
43. AltaLink Ontario outlined its proposed plan to finance the project on a standalone basis with equity contributed by SNC-Lavalin and its subsidiaries in accordance with the Board's deemed capital structure, as well as funding short term debt through credit facilities with Canadian banks, and long-term debt through medium term notes. AltaLink Ontario would seek a permitted return on equity and debt comparable to other Ontario transmission facility owners (ATL Application, Part B, Section 5.4).

44. AltaLink Ontario has also provided detailed evidence of its ability to access the debt and equity markets, both through its affiliate SNC-Lavalin and directly through respected financial institutions as evidenced by numerous letters of support from those financial institutions (ATL Application, Part B, Section 5.5 and Part C, Appendix 9).
45. AltaLink Ontario also provided evidence of its ability to finance the project in the case of cost overruns, delay in completion of the project and other factors that may impact the financing plan through an appropriate cushion in the size of the credit facility and the underlying financial capacity of SNC-Lavalin to inject additional equity, if required (ATL Application, Part B, Section 5.6).
46. AltaLink Ontario has also provided evidence of both AltaLink, L.P.'s and SNC-Lavalin's experience in financing similar projects both in Canada and internationally (ATL Application, Part B, Section 5.7).
47. Finally, AltaLink Ontario confirmed that it is not seeking any alternative mechanisms (e.g., rate treatment of construction work in progress) in connection with the financing of the East-West Tie Line (ATL Application, Part B, Section 5.8).
48. Taken as a whole, there is no question that AltaLink Ontario and its affiliates offer robust infrastructure financing capabilities that have been demonstrated by the highly successful financing of AltaLink, L.P.'s multi-billion dollar capital investment program in Alberta. AltaLink Ontario also benefits from the expertise of SNC-Lavalin, a renowned infrastructure investor and financial advisor. Through its strong, liquid balance sheet, SNC-Lavalin provides solid financial sponsorship. SNC-Lavalin has the financial capacity to contribute all of the equity needed to finance the East-West Tie Line project in accordance with the Board's prescribed capital structure for transmission utilities in Ontario.

e) Proposed Design for the East-West Tie Line

49. AltaLink Ontario has established a plan for the East-West Tie Line based on the Reference Option which includes construction of a 230 kV, double-circuit transmission line of approximately 400 km in length running from the Lakehead TS near Thunder Bay to the Wawa TS south east of the Town of Wawa with connection into Marathon TS (ATL Application, Part B, Section 6.1), including detailed preliminary technical specifications which meet or exceed the Board's Technical Requirements and industry codes, standards and good utility practice (ATL Application, Part C, Appendix 10).
50. AltaLink Ontario's plan includes a number of key strengths, as set out in detail in the Application, including but not limited to:
- extensive and recent experience in developing major transmission projects which will ultimately result in the lowest cost, highest quality project for Ontario consumers (see the discussion on "Costs" below);
 - estimated costs are based on AltaLink Ontario and its affiliates' extensive experience with similar facilities together with the project work and pre-development activities completed by AltaLink Ontario in preparing its Application (ATL Application, Part A, Sections 1, 2, 3 and 4);
 - the long-term system and ratepayer benefits conveyed by the double circuit Reference Option over a single circuit line identified in both the question and the answer to ATL IRRs, General IR #21;
 - evaluating the use of an alternate H-frame structure along certain areas of the proposed route as well as the use of off-site assembly yards and helicopter erection techniques to set structures, each of which can result in further costs savings for the East-West Tie Line project and can be implemented safely and efficiently (ATL Application, Part B, Section 6.5.3);
 - planned construction sequencing to maximize efficiencies of similar work for construction contracts, and to implement key performance indicators (KPIs) to select, measure and manage contractors (ATL Application, Part B, Section 6.5.3);
 - arranging for SNC-Lavalin to procure materials and equipment for the East-West Tie Line, in order to leverage SNC-Lavalin's high dollar spend on commodities such as structural steel (\$1.8B), HV/MV transformers (\$557M) and wire and cable (\$236M) using SNC-Lavalin's competitive advantage and supplier of choice agreements to

allow for bottom-line savings on purchases and an overall reduction in person-hours spent on procurement activities (ATL Application, Part B, Para. 263);

- not seeking recovery of the costs of preparing its application for the designation process, reflecting an immediate and direct benefit to Ontario ratepayers of \$1.6 million (ATL Application, Part B, Section 8.1 and ATL IRRs, AltaLink Ontario IR # 7);
- an innovative tariff approach for both development (ATL Application, Part B, Section 8.6), and construction costs (ATL Application, Part B, Section 8.11 and ATL IRRS, AltaLink Ontario IR #9) which allow for further reductions of ratepayer risk as well as being open to a levelized tariff structure to address intergenerational fairness issues if the Board determines that this approach is preferable (ATL Application, Part B, Section 6.5.2 paras. 250-256);
- opening an office in Thunder Bay that will have overall management accountability for operations and maintenance of the line, and working with local economic development organizations to identify employment and contracting opportunities for local First Nation and Métis communities and other local individuals and businesses. In addition, the bulk of the EPC and environmental work will be carried out by Ontario based staff of SNC-Lavalin (ATL Application, Part B, Section 6.5.4); and
- its Alberta affiliate leads its peers in key reliability, safety and cost performance operating and maintenance metrics monitored by the CEA (ATL Application, Part B, Section 4.3.7), and AltaLink Ontario has the organization and plans in place to operate and maintain the East-West Tie Line to these same high standards (ATL Application, Part B, Section 6.5.5).

AltaLink Ontario Comments on the Single Circuit Option Proposed by ELP and RES

51. Two of the other registered transmitters (ELP and RES) have proposed, as an alternative to the Reference Option, a single circuit option for the Board's consideration.
52. In doing so, these transmitters are proposing an option which was considered and rejected by the OPA because of reduced operability during planned and forced outages. The OPA explains at page 20 of its *Long Term Electricity Outlook for the Northwest and Context for the East-West Tie Expansion* that:

“The OPA has assumed that the proposed expanded E-W Tie would be a new double-circuit 230 kV overhead transmission line. This is based on the knowledge that a 500 kV line or a high-voltage direct-current line would be more costly than a 230 kV line, while providing a similar benefit. A single-circuit 230 kV line would likely have a similar cost to a double-circuit 230 kV line, but would have reduced operability during planned and forced outages. Therefore, the OPA believes that the double-circuit 230 kV line is preferred [...]”

53. Similarly, the IESO considered and rejected the single circuit option in its Feasibility Study IESO_REP_0748, noting at page 7 that “[f]or the One-plus-One contingency condition, the installation of a new double-circuit line to reinforce the East-West Tie would therefore represent the superior option.”
54. One problem with the single circuit option is that it cannot meet the total eastbound and westbound transfer capabilities of 650 MW, while respecting all NERC, NPCC and IESO reliability standards including the N-1-1 contingency without the IESO taking additional control actions such as dispatching additional generating resources totalling at least 300 MW.
55. While ELP and RES suggest in their applications that a single circuit line would be less costly than the double circuit reference option, neither of these transmitters have included in their estimates for the single circuit option the costs to Ontario ratepayers of procuring the required control actions noted in IESO_REP_0748 (ELP Response to Interrogatory #5, RES Response to Interrogatory #8).
56. Since the IESO has not assessed the annual costs of such control actions (Appendix 4 to the RES Interrogatory Responses), the only information the Board has available is an estimate proposed by ELP of the costs of providing the necessary control actions in response to ELP Interrogatory #5. ELP estimates the annual cost of the control actions to equal an additional \$7 million per year, representing a \$104 million net present value (using ELP’s stated assumptions). AltaLink Ontario views this estimate as low as it assumes there will be 25% fewer outages per year than on the existing line and it does not account for the additional costs associated with holding the necessary capacity on standby

throughout the year awaiting an N-1-1 contingency. AltaLink Ontario has indicated in its interrogatory responses that the costs to contract approximately 300MW of control actions may be in the tens of millions of dollar per year, and must be factored into the lifecycle cost of all single circuit alternatives (ATL IRRs, General IR #21). In addition, the ELP and RES estimates also fail to take into account the present value of the incremental cost of the higher system losses under the single circuit option.

57. In conclusion, AltaLink Ontario submits that the Board should reject the two proposed single circuit options based upon the recommendations and judgement of both the OPA and IESO (as noted above), the inherently higher level of security and reliability afforded by the double-circuit option and based upon the fact that the proposed single circuit options are simply not comparable to the reference option because of the necessity of costly, but as of yet unquantified, control actions.

f) Schedule

58. AltaLink Ontario has proposed a detailed project schedule identifying significant milestones for both the development and construction phases of the East-West Tie Line at Part C, Appendix 16 of its Application.
59. AltaLink Ontario's proposed schedule was compiled by AltaLink Ontario's experienced team on the basis of specific project work completed in preparation of its Application, including field reviews, route selection, mapping analysis, preliminary structure design, establishing a preliminary consultation plan, engaging expert consultants to assist in First Nations and Métis consultation and participation and preparing draft terms of reference as a starting point for the environmental approvals process (ATL Application, Part A, Section 4).
60. Like the majority of the other registered transmitters, AltaLink Ontario is proposing an in-service date in the fourth quarter of 2018 (See Table 1 below). Should the Board wish to advance the in-service date, AltaLink Ontario has proposed that its project schedule

can be reduced by as much as 12 months by advancing certain activities to be undertaken in advance of leave to construct (ATL Application, Part B, Section 7.3.4).

Table 1: Proposed In-Service Date (can be 2017 or another date)

Registered Transmitter	Proposed In-Service Date ³
AltaLink Ontario	November 2018
CNPI	December 2019
EWT LP	November 2018
ICN/TPT	October 2018
RES	December 2018
UCT	December 2017

61. For the reasons detailed in paragraph 50 above and for the reasons set out below, AltaLink Ontario submits that its proposed schedule represents the most realistic and cost-effective (discussed below) plan to complete the development and subsequent construction work for the East-West Tie Line.

g) Costs

62. AltaLink Ontario has the most cost-effective proposal to complete development work on the East-West Tie Line. Table 2 below provides a summary of the development costs proposed by each of the registered transmitters, based upon each of their respective responses to General Interrogatory #26.

Table 2: Development Cost Comparison - Reference Option

Rank	Registered Transmitter	Development Cost Reference Option ⁴	Marginal Cost of the Development Phase
1	AltaLink Ontario	\$18,177,500	+\$0
2	RES	\$21,370,000	+\$3,192,500
3	UCT	\$22,398,084	+\$4,220,584
4	EWT LP	\$23,720,000	+\$5,542,500
5	CNPI	\$23,969,000	+\$5,791,500
6	ICN/TPT	\$30,745,000	+\$12,567,500

³ Values compiled from each registered transmitters' response to Section 7.2 of the Filing Requirement in respect of the Reference Option.

⁴ Values compiled directly from each registered transmitters' response to General Interrogatory #26 in respect of the Reference Option.

63. As shown in Table 2 above, AltaLink Ontario's proposal for the development work clearly represents the best value for Ontario ratepayers by a margin of more than \$3 million against the next most cost effective development proposal. AltaLink Ontario's commitment to ratepayer value is reflected in its commitment to cover its own costs of preparing its designation application, which represents an immediate ratepayer value of \$1.6 million (ATL Application, Part A, Section 5.9 and ATL IRRs, AltaLink Ontario IR #7).
64. AltaLink Ontario has proposed two alternatives for the recovery of development costs (ATL Application, Part B, Section 8.6). The first alternative is consistent with the Board's typical cost of service approach, which would only allow recovery of actual expenditures beyond budgeted amounts approved in this designation proceeding if they meet the Board's standard prudence review. The second alternative is an innovative proposal that involves a risk/reward sharing on a 50/50 basis of expenditures up-to 10% above or below AltaLink Ontario's budgeted development costs, while expenditures above or below this 10% limit would be dealt with through a traditional prudence review. This would provide additional protection to Ontario ratepayers by incenting AltaLink Ontario to innovate and achieve efficiencies during development to do better than its budgeted development costs, in which case Ontario ratepayers would gain half the benefit from the savings. In addition, in the event AltaLink Ontario failed to meet its budgeted development costs within the 10% band, ratepayers would only be exposed to half of any such overages. AltaLink Ontario expects that the Board would identify the alternative for cost recovery that it deems to be in the public interest in its designation decision to provide certainty to both AltaLink Ontario and ratepayers. AltaLink Ontario submits that this innovative approach to development cost recovery should be considered by the Board as an "Other Factor" criteria (as per the Board's Phase 1 Decision) in determining which proposal to select.

65. Development costs are an important consideration in assessing ratepayer risk exposure. At this stage, it is widely acknowledged that the OPA has only completed a preliminary assessment of need sufficient to justify that development work be initiated on the expansion of the East-West Tie (See the OPA's June 30, 2011 preliminary assessment of need at Section 6, page 19 of 21).
66. The OPA has explained that whether the project proceeds beyond the development phase will depend upon the capital cost of the East-West Tie and the trends influencing electricity demand in the Northwest, including: (i) the extent and pace of recovery of the pulp and paper sector in Ontario's Northwest; (ii) the extent and pace of growth of the mining industry in Ontario's Northwest, including the extent and pace of development of the Ring of Fire; and (iii) the extent and pace the Province proceeds with a plan to connect remote communities beyond Pickle Lake. Board Staff has requested that the OPA provide an interim update to its preliminary assessment of need in its Phase 2 submissions if any new information is available, or in any event a short time after the release of the designation decision.
67. AltaLink Ontario's application proposes to complete development work in a cost effective manner in full recognition that the ultimate need for the project will be assessed during a subsequent leave to construct proceeding. In assessing the different applications the Board should also consider the impact of lower development costs on overall Ontario ratepayer risk should the need for the East-West Tie Line be found to no longer exist during a subsequent leave to construct proceeding.
68. In addition to considering development costs, the Board has also determined that it will consider all costs in assessing the merits of the various applications including construction cost estimates and on-going operations, maintenance and administrative costs over the life of the project.

69. In considering construction and on-going operating, maintenance and administrative costs, AltaLink Ontario would like to re-emphasize the important limitations noted in paragraph 15 above.
70. AltaLink Ontario's estimated cost of constructing the East-West Tie Line ranges between \$425 - \$550 million (\$2012) exclusive of escalation, interest during construction and contingencies (ATL Application, Part B, Section 8.7). Although AltaLink Ontario carried out several critical pre-development activities in order to reduce the uncertainties in the proposed schedule and cost estimates for both development and construction of the project, this range remains reflective of the uncertainties associated with providing a preliminary estimate at this early stage of project development, including those noted at Section 8.7 of the ATL Application.
71. It is worth noting that "[c]ontingency was not included in AOLP's estimated construction budget. AOLP felt that expressing the budget as a range of costs was more appropriate than providing a point estimate plus contingency given the level of project information available at the time. As AOLP moves through the development stage and better defines and clarifies the risks involved in project execution, AOLP will develop a point estimate that includes contingency" (ATL IRRs, General IR #28). AltaLink Ontario submits that this approach was contemplated in the Board's Filing Requirements, which permitted the use of a budgeted range rather than a point estimate plus contingency.
72. In addition to considering construction cost estimates and ranges, AltaLink Ontario submits that the Board should also consider the present value of ongoing OM&A cost estimates over the fifty (50) year life of the East-West Tie Line. As shown in Table 3 below, assuming a 7% discount factor, AltaLink Ontario's proposal is among two proposals that are roughly equivalent (less than a \$20,000 difference in forecasted annual OM&A costs) in terms of ongoing OM&A costs and which provide the best overall value for Ontario ratepayers.

Table 3: OM&A Cost Comparison – Reference Option

Rank	Registered Transmitter	OM&A Annual Cost ⁵	PV of OM&A (50 years @ 7%)	Marginal Cost of OM&A
1	AltaLink Ontario	\$1,700,000	\$23,461,269	+\$0
2	UCT	\$4,447,000	\$61,371,919	+\$37,910,650
3	RES	\$2,761,000 ⁶	\$38,103,861	+\$14,642,592
4	ICN/TPT	\$4,850,000	\$66,933,620	+\$43,472,351
5	CNPI	\$1,684,494	\$23,247,274	-\$213,995
6	EWT LP	\$7,120,000	\$98,261,314	+\$74,800,045

73. In addition to providing excellent value for ratepayer dollars, AltaLink Ontario stands apart with an innovative approach to reduce ratepayer risk and to incent efficiency, innovation and construction costs savings, all of which respond favourably to the Board’s statutory objectives (s. 1, OEB Act). Specifically, in its Application at Part B, Section 8.11, AltaLink Ontario proposed a target price mechanism and a lump sum fixed price mechanism as options in addition to the traditional cost of service model to provide additional cost certainty to ratepayers. In response to the interrogatory process, AltaLink Ontario has provided a detailed proposal on how the Board could use its existing settlement conference process to facilitate a negotiated target or fixed price for construction between AltaLink Ontario and intervenors, while still affording the Board ultimate discretion to review, and either accept or reject any resulting settlement proposal (ATL IRRs, AltaLink Ontario IR #9). AltaLink Ontario submits that this innovative approach to construction cost recovery should also be considered by the Board as an additional “Other Factor” criteria in determining which proposal to select.
74. As noted above, AltaLink Ontario submits that there is an important limitation on each Applicant’s construction costs and OM&A costs – these are all forecasts and estimates. None of the applicants have done the detailed development work necessary to accurately forecast actual construction costs for the East West Tie line. As a result, it is important

⁵ Values compiled directly from each registered transmitters’ response to General Interrogatory #26 in respect of the Reference Option.

⁶ This is the sum of 2.65m+0.08m+0.031m=2.761m from RES’ response to General Interrogatory #26 for the Reference Option.

not to over emphasize the estimated construction costs, which will likely change between now and the leave to construct process as development work is completed.

h) Landowner, municipal and community consultation

75. AltaLink Ontario has provided a wealth of evidence demonstrating its ability to conduct successful consultations with landowners, municipalities and local communities.
76. In its plan AltaLink Ontario provides an overview of the rights-of-way and other land use rights, presented by category, that would need to be acquired for the purposes of the development, construction, operation and maintenance of the line together with its plan for obtaining those rights; and a description of, and plan to mitigate against, any significant issues anticipated in land acquisition or permitting (ATL Application, Part B, Section 9.1).
77. AltaLink Ontario also provided an initial consultation plan in its draft terms of reference (ATL Application, Part C, Appendix 13) and its draft EA scope of work (ATL Application, Part C, Appendix 14). These plans include a preliminary list of parties to be consulted and AltaLink Ontario's plan to consult with each, including the method of consultation and tentative schedule.
78. AltaLink Ontario will draw on the resources of AltaLink, L.P.'s External Engagement department, which is comprised of Consultation, Aboriginal Relations, Government and Community Relations, and Communications. The more than forty professionals that work in the department come from various backgrounds, including oil and gas, government, planning, land, operations, transmission design, geography and social sciences. Nearly all staff has received training from the International Association for Public Participation (IAP2) (ATL Application, Part B, Section 4.1.6).
79. AltaLink Ontario will also draw on the resources of SNC-Lavalin to conduct the environmental assessment work and public and community consultations. SNC-Lavalin

has relevant and in depth experience in all areas for conducting EAs in power transmission, distribution and generation (ATL Application, Part B, Section 4.1.6).

80. AltaLink Ontario also has demonstrated its ability to satisfy environmental and other requirements that are outside the jurisdiction of the Board, including detailing its experience arranging various types and levels of licenses and permits, completing projects under federal and provincial environmental assessment processes, as well as completion of other environmental assessment and regulatory approvals (ATL Application, Part B, Sections 4.1.4 and 4.1.5).
81. Finally, AltaLink Ontario has identified its proposed East-West Tie Line route to be adjacent to the existing 230 kV transmission line for the entire line length (100%) subject to detailed design, the EA and stakeholder input. The approximate right of way width for the route is 50 metres widening to 65 metres for the H-frame option. At this time, AOLP expects that any route deviations resulting from detailed design would be minimal (approximately 1% deviation from existing right of way) (ATL Application, Part B, Section 9.3). A detailed description of AltaLink Ontario's route selection, including a map identifying potential environmental constraints within the corridor boundary has been provided (ATL Application, Part C, Appendix 15). Finally, AltaLink Ontario has provided an estimate of ownership of land by category (ATL Application, Part B, Section 9.3.2).

i) First Nation and Métis consultation

82. In addition to providing a detailed framework for the participation of First Nation and Métis communities, AltaLink Ontario has proposed a comprehensive Consultation Plan and a Traditional Ecological Knowledge and Land Use Study Plan (ATL Application, Part B, Section 10.1), which were developed based on discussions with the First Nation and Métis communities identified in the ATL IRRs, AltaLink Ontario IR #3.

83. Through discussion with many First Nations and Métis communities, it is clear that an opportunity for meaningful consultations about and involvement in the project is strongly desired (ATL Application, Part B, Section 10.1.3). AltaLink Ontario considers that its proposed Participation Framework (see above), Consultation Plan and Traditional Ecological Knowledge and Land Use Study Plan addresses this issue in a comprehensive, inclusive and respectful way.
84. In terms of risks, AltaLink Ontario notes that there are First Nations within the project area that have reserve claims pending as well as one First Nation with an aboriginal title claim before the courts. AltaLink Ontario anticipates that the East-West Tie consultations may potentially evolve into a broader forum for raising long standing grievances with the Crown that extend beyond the scope of the project. AltaLink Ontario notes that this risk is much more acute for proponents like ELP, in which the Crown has an indirect ownership interest. AltaLink Ontario has a plan to manage this risk by continuing to focus on understanding the direct and indirect impacts of the specific East-West Tie Line project on the communities and their traditional lands (ATL Application, Part B, Section 10.1.3).
85. AltaLink Ontario will benefit greatly from its affiliate's direct experience working with First Nations to arrive at successful agreements to site transmission facilities on reserve lands, including a recent example where AltaLink, L.P. agreed to mutually acceptable terms with the Blood and Piikani First Nations in Alberta to site a double circuit 240 kV transmission line that crossed both First Nations' reserve lands (ATL Application, Part B, Section 10.1.3).
86. AltaLink Ontario has retained Ishkonigan Consulting & Mediation to assist with Ontario First Nation and Métis consultation on the East-West Tie Line. Mr. Phil Fontaine, former National Chief of the Assembly of First Nations and his team at Ishkonigan Consulting & Mediation will bring their experience and relationships to assist in all aspects of First Nations and Métis participation and consultations (ATL IRRs, General IR #5).

87. “In response to the Board’s letter of December 11, 2012 concerning the Ministry of Energy’s letter regarding the duty to consult with Aboriginal communities, AltaLink Ontario confirmed that it is prepared to enter into a memorandum of understanding (MOU) with the Ministry of Energy in respect of the procedural aspects of the next phase of consultation. AltaLink Ontario understands that the MOU will set out the respective roles and responsibilities of the Crown and the designated transmitter of the East-West Tie Line and that the terms and conditions of the MOU will be determined by the Ministry of Energy” (ATL Application, Part A, Para. 139). AltaLink Ontario support’s the Board’s approach to include such an MOU requirement as a condition of designation.

j) Other factors – Proposals to reduce ratepayer risk

88. AltaLink Ontario submits that, as mentioned above, the Board should recognize the following two innovative proposals to reduce ratepayer risks as further “other factors” in support of a decision selecting AltaLink Ontario as the designated transmitter:

- AltaLink Ontario’s proposed innovative tariff approaches to both development (ATL Application, Part B, Section 8.6) and construction costs (ATL Application, Part B, Section 8.11 and ATL IRRs, AltaLink Ontario IR #9) as well being open to a levelized tariff structure to address intergenerational fairness issues if the Board determines that this approach is preferable (ATL Application, Part B, Paras. 250-256).
- AltaLink Ontario’s proposal to absorb its own costs of preparing its designation application, reflecting an immediate and direct benefit to Ontario ratepayers of \$1.6 million (ATL Application, Part B, Section 8.1 and ATL IRRs, AltaLink Ontario IR # 7).

C.2 The CNPI Application

89. CNPI's proposal to develop the East-West Tie Line will cost Ontario ratepayers approximately \$5.8 million, or 32% more, than AltaLink Ontario proposes for the same scope of work (see Table 2 above). This high development cost is particularly problematic if the Board determines during a subsequent leave to construct proceeding that, based on updated advice from the OPA, there is not a need to continue to the construction phase for the East-West Tie Line. CNPI has failed to demonstrate in their proposal the incremental value they propose to provide to account for these additional costs to Ontario ratepayers.
90. CNPI has formed a joint venture with Lake Huron Anishinabek Transmission Company ("LHATC"), which is made up of: two (2) First Nations that are identified in the Ministry's list of First Nations affected by the East-West Tie Line; nineteen (19) First Nations that may be interested in, but are not identified as affected by, the East-West Tie Line; and zero (0) Métis communities (CNPI Application, Page 6 of 160).
91. It appears that CNPI is unable to commit to offering "equal" participation to the remaining twelve (12) First Nation and four (4) Métis communities identified in the OPA's list as affected by the East-West Tie Line, because any such participation is conditional on agreement of LHATC (CNPI's Response to General IR#6).
92. In addition, CNPI's approach to participation is flawed by design because it fails to link participation to impact. Doing so fails to recognize the increased impact of the project on directly affected communities and dilutes the equity stake available to the directly affected First Nation and Métis communities among a large number of interested, but not affected communities.
93. By extending equity participation to any interested First Nation and Métis communities, it is unclear where the invitation to participate ends. Is CNPI proposing to offer an equal opportunity to all First Nation and Métis communities in Canada to participate in the project? If not, on what principled basis does CNPI propose to permit the participation of some interested First Nation and Métis communities but to exclude the participation of

other interested First Nation and Métis communities? Finally, in light of LHATC's veto right over any new participation arrangements (CNPI's Response to General IR#6), on what principled basis does CNPI propose to permit the participation of some interested First Nation communities but to exclude the participation of other directly affected First Nation and Métis communities if LHATC consent cannot be obtained?

C.3 The ELP Application

94. ELP's proposal to develop the East-West Tie Line will cost Ontario ratepayers approximately \$5.5 million, or 30% more, than AltaLink Ontario proposes for the same scope of work (see Table 2 above). This high development cost is particularly problematic if the Board determines during a subsequent leave to construct proceeding that, based on updated advice from the OPA, there is not a need to continue to the construction phase for the East West Tie line. ELP has failed to demonstrate in their proposal the incremental value they propose to provide to account for these additional costs to Ontario ratepayers.
95. For the reasons provided in paragraphs 51-57 above, AltaLink Ontario submits that the Board should reject the single circuit transmission line option proposed by ELP. In addition, the Board should reject ELP's proposed single circuit transmission line on the basis that ELP failed to comply with the Board's Filing Requirement. Pursuant to Section 6.4 of the Board's Filing Requirements, where a proposed plan is not based on the Reference Option an applicant **must** file a Feasibility Study performed by the IESO, or performed to the IESO requirements. It appears that ELP did not provide an IESO Feasibility Study in support of its proposed single circuit option, and the Power Engineers report included at Exhibit 6, Appendix 6D of the ELP Application is not a feasibility study performed to IESO requirements.
96. Contrary to ELP's assertion (ELP Response to ELP IR #7), there is nothing special about ELP's proposed single circuit design that would limit AltaLink Ontario or any other registered transmitter from similarly considering the incremental costs of upgrading their

proposed double circuit designs for 500 kV use. AltaLink's Heartland Transmission project illustrates its experience completing just such a 500kV double circuit transmission line if such be needed (ATL Application, Part C, Appendix 3). In this regard, it is worth noting that ELP has not included any incremental costs for converting the proposed single circuit line to 500 kV (ELP Response to ELP IR #7).

97. AltaLink Ontario submits that the Board should not allow ELP to amend its proposed OM&A costs of \$7,120,000 per year to \$4,170,000 per year, as ELP appears to try to do in response to General IR #29. AltaLink Ontario submits that it should not be open to ELP to effectively revise its Application after viewing those of the other registered transmitters. ELP should stick by and be held to its original Application in respect of OM&A costs.
98. AltaLink Ontario submits that ELP's approach in respect of First Nations participation was premature, self-serving and has ultimately created additional risks for ratepayers in Ontario, which are best served if all registered transmitters have an equal opportunity to approach all First Nation and Métis communities. AltaLink Ontario would suggest that the Board should, in future designation proceedings, prohibit parties from establishing participation arrangements prior to being designated by the Board. The reasons in favour of this approach are noted by ELP in response to General IR #11. ELP readily admits that, in response to a question about First Nation and Métis participation issues, initiating contact with First Nation and Métis communities in advance of the Board's decision would be premature (ELP Response to General IR #11). This is because ELP has not yet been designated by the Board, nor has ELP been delegated the procedural aspects of the Crown's duty to consult (Ibid.). To quote, "EWT LP's view is that to have six transmitters attempting to arrange discussions with the 18 Aboriginal communities identified by the Ministry of Energy would have caused confusion and not have been of assistance to the OEB Designation process" (Ibid.).

99. AltaLink Ontario submits that ELP acted contrary to the public interest by establishing an exclusive participation arrangement with six (6) specific First Nations prior to being designated by the Board. Because ELP's arrangement is exclusive (ELP Response to ELP IR #2), it prohibited every other registered transmitter from dealing with those First Nations prior to the designation process. This, in turn, has increased risks for Ontario ratepayers which are best served if all registered transmitters have an equal opportunity to approach all First Nation and Métis communities.
100. In addition, ELP's First Nation and Métis equity participation proposal is deficient, in that it does not attempt to address all fourteen (14) identified First Nation communities and it entirely ignores the interests of Métis communities (ELP Response to General Interrogatory #6). It appears that ELP adopted a divisive approach to First Nations and Métis participation without first completing an assessment of the impact of the project on all affected communities (ELP Response to General Interrogatory #6), and without trying to initiate contact with any but the six (6) chosen First Nation communities (ELP Response to General Interrogatory #11).
101. Such a divisive approach to First Nations and Métis participation will seriously inhibit ELP's ability to secure a satisfactory accommodation arrangement with all relevant First Nation and Métis stakeholders. This makes ELP's equity participation strategy high risk and a threat to the successful, prompt completion of the East-West Tie Line. The ELP participation approach is counterintuitive and is more likely to inhibit the process by creating "have" and "have-not" First Nation and Métis communities – those that are in the ELP deal and those excluded. This approach demonstrates that ELP does not have a good understanding of and sensitivity to First Nation and Métis issues and the OEB should conclude that the EWT participation plan is deficient in a fundamental way.
102. This risk is particularly problematic for proponents like ELP, in which the Crown has an indirect ownership interest, as is evidenced by the still unresolved problems HONI encountered with the Niagara Reinforcement Project which HONI was unable to

complete and/or bring into service due to First Nations concerns (ELP Response to General IR #4).

103. Finally, AltaLink Ontario would like to raise to the Board's attention a serious concern that ELP appears to have based their application on information about the HONI X10 and X7 tower families that was not disclosed to other registered transmitters as part of this designation proceeding.
104. In response to General IR #15 ELP states that "As described in Part B, Exhibit 6, section 6.1, EWT LP has based its Reference-Based Design on the existing X10 tower family employed by HONI and the 'Grackle' ACSR conductor. Both are widely used in Ontario and present no new risks." The X10 tower was proposed for use in the June 4, 2010 HONI Project Definition Report, however there is no information in that report or in the other information disclosed by HONI that would support the above noted statement that "both are widely used in Ontario and present no new risks." AltaLink Ontario is concerned that ELP must have had access to other operational information from HONI to support such a broad assertion.
105. In addition, referring to the Power Engineers, Inc. report included at Part B, Exhibit 6, Appendix 6A, Page 7, Paragraph 1, ELP's consultant makes explicit reference to "[t]he Ontario Hydro data sheet for the tower" in respect of the X10 towers. This data sheet was not disclosed to all registered transmitters within the context of this designation proceeding, and ELP has failed to explain how they, or their consultant, gained access to this information if not through their indirect relationship with HONI.
106. AltaLink Ontario submits that the Board may consider disqualifying ELP from the designation process if ELP is unable to clearly demonstrate that the information they relied on about the X10 and X7 tower families in the ELP Application and IRRs was previously disclosed by HONI to all registered transmitters and forms part of the record in this designation proceeding.

C.4 The ICN/TPT Application

107. ICN/TPT's proposal to develop the East-West Tie Line will cost Ontario ratepayers approximately \$12.6 million, or 69% more, than AltaLink Ontario proposes for the same scope of work (see Table 2 above). This high development cost is particularly problematic if the Board determines during a subsequent leave to construct proceeding that, based on updated advice from the OPA, there is not a need to continue to the construction phase for the East West Tie Line. ICN/TPT has failed to demonstrate in their proposal the incremental value they propose to provide to account for these additional costs to Ontario ratepayers.
108. ICN/TPT was unable to provide even an indicative organizational chart and proposed project management team for the operation and maintenance phase of the project (ICN/TPT Response to General IR#1). This raises concerns about the level of planning and diligence that went into preparing ICN/TPT's Application and the viability of the ICN/TPT proposal to operate and maintain the East-West Tie Line.
109. AltaLink Ontario has similar concerns about the level of diligence that went into ICN/TPT's Application in respect of its proposal for First Nation and Métis participation. ICN/TPT takes the position that the determination of participation will be dependent upon further discussions with each of the communities (ICN/TPT Response to General IR #6). This is not a framework for participation that can be considered or evaluated by the Board – this simply pushes any decisions about participation into the future without ICN/TPT making any definitive commitments as part of this designation proceeding. AltaLink Ontario submits that this approach is contrary to the government's interest in promoting First Nations and Métis participation in energy projects as expressed in the Minister's letter to the Board dated March 29, 2011, and the Board's own intent in establishing First Nation and Métis participation as a separate criterion for evaluation at page 7 of its Phase 1 Decision and Order.

110. During its initial meetings with affected First Nation and Métis communities, AltaLink Ontario learned that these communities were quite interested in equity participation opportunities in the project. ICN/TPT has confirmed that it has not proposed equity participation with any First Nation and Métis communities (ICN Response to General IR #10). AltaLink Ontario submits that ICN/TPT has failed to demonstrate any advantages of this approach, particularly given the high level of interest expressed by the affected communities.
111. ICN/TPT's approach to First Nation and Métis participation is particularly concerning because ICN/TPT has identified that it has had problems with its partner's projects satisfying the Crown's duty to consult in the past. Specifically, ICN/TPT is relying on TransCanada's experience undertaking the procedural aspects of consultation and has identified TransCanada's involvement with the Northwest Mainline Expansion in this regard (ICN/TPT Response to General IR#13). However, the Fort Nelson First Nation has taken the view that the Crown did not meet its duty to consult with respect to the Northwest Mainline Komine North Extension, and has filed an application for judicial review with the Federal Court of Appeal to that effect (ICN/TPT Response to General IR#14).

C.5 The RES Application

112. The RES proposal to develop the East-West Tie Line will cost Ontario ratepayers approximately \$3.2 million, or 17.6% more, than AltaLink Ontario proposes for the same scope of work (see Table 2 above). This high development cost is particularly problematic if the Board determines during a subsequent leave to construct proceeding that, based on updated advice from the OPA, there is not a need to continue to the construction phase for the East-West Tie line. RES has failed to demonstrate in their proposal the incremental value they propose to provide to account for these additional costs to Ontario ratepayers.

113. For the reasons that follow, AltaLink Ontario submits that the Board should reject RES' proposal for special treatment in terms of cost recovery included in its application.

- RES is seeking special treatment by asking the Board to vary its usual methodology that prescribes interest rates for approved regulatory accounts (except CWIP accounts), which RES forecasts will cost ratepayers an additional \$521,503 for development costs (RES response to RES IR #14). RES has provided no explanation as to why it is asking ratepayers to bear this additional cost burden. AltaLink Ontario submits the Board should reject this approach.
- In addition, the Board should reject RES' one-sided approach to cost recovery (RES Application, Exhibit B, Tab 1, Schedule 1, pages 17 to 21. Exhibit P, Tab 5, Schedule 1) that increases ratepayer risk for the reasons noted below:
 - *Cost underages* - RES proposes to earn a return on debt and equity for cost underages (i.e. amounts of money that RES never actually spends) referred to as the "Subtracted Amount". A return on debt and equity is conceptually provided to account for the costs of financing a certain amount of money spent on used and useful assets that are included in ratebase. If the Board were to permit a return on debt and equity on the Subtracted Amount, this would amount to a windfall profit to RES as it would provide for a return on capital when the capital amounts were never actually spent. RES has also asked to earn an additional windfall premium of 300 basis points above the Board's standard return on equity on the Subtracted Amount.
 - *Cost overages* - RES has also proposed that, in respect of prudently incurred cost overages, that it would forgo earning the Board's regulated ROE on 40% of such overages, and instead would earn the Board's deemed long-term debt rate on 100% of such cost overages. While this

might appear to be a penalty with today's low long-term debt rates, in the future market conditions may change and the spread between the Board's permitted ROE and the Board's deemed long-term debt rate may get smaller. By making such a proposal, RES has effectively limited its risk on the downside for cost overages while hardwiring its windfall profits for any cost underages on the upside. AltaLink Ontario fails to see how this risk asymmetry results in a good value for Ontario ratepayers.

- *Exceptions* - RES has also identified four (4) exceptions to its rate methodology that "would not be subject to the penalty that would otherwise be applicable to cost overages". AltaLink Ontario notes that these exceptions are quite broad, and cover a wide range of circumstances that make up material risks for the project. However, RES has not proposed that these same exceptions would apply to cost underages. The consequence of this proposal is to shift further risks onto Ontario ratepayers, by ensuring that RES stands to earn windfall profits for cost underages while avoiding the proposed "penalty" for cost overages in the broad range of circumstances covered by these four (4) exceptions.
- The skewed and one-sided nature of RES' proposal is illustrated under RES' Case 3, where the actual capital spend is less than the bid amount, and the cost of exceptions are more than the costs included in the bid amount for the same (Exhibit P, Tab 7, Schedule 1). Contrary to RES' assertion in its Application that ratepayers would save \$0.7 million annually in this case (Exhibit P, Tab 7, Schedule 1, Page 6 of 9), ratepayers will pay \$0.2 million more annually than they would have under the typical cost-of-service regime (RES Response to RES IR#16(e)). The fact that RES, the party proposing the recovery mechanism, could make such a material mistake in its Application illustrates the complex and untested nature of its proposal.

114. For the reasons provided in paragraphs 51-57 above, AltaLink Ontario submits that the Board should reject the “Preferred Design” proposed by RES, which consists of a single circuit transmission line between Wawa and Thunder Bay.
115. AltaLink Ontario submits that the Board should reject RES’ proposal to stage the construction of the East-West Tie Line over an 8 year period commencing in 2018 (RES Application, Exhibit G, Tab 1, Schedule 1, Page 2). This approach is incompatible with the Filing Requirements which at Section 7.3 requires applicants to propose a single in-service date for the line (which under this staged approach, would appear not to occur until sometime in 2026). It is premature to make a decision on whether a staged approach would be preferable at this designation hearing. Rather, if a staged approach to constructing the East-West Tie Line provides for optimal value to ratepayers based on the OPA’s updated assessment of need, the Board should expect that any transmitter that is designated as a result of this proceeding would come forth with such a proposal as part of its leave to construct application.

C.6 The UCT Application

116. UCT’s proposal to develop the East-West Tie Line will cost Ontario ratepayers approximately \$4.2 million, or 23% more, than AltaLink Ontario proposes for the same scope of work (see Table 2 above). This high development cost is particularly problematic if the Board determines during a subsequent leave to construct proceeding that, based on updated advice from the OPA, there is not a need to continue to the construction phase for the East West Tie Line. UCT has failed to demonstrate in their proposal the incremental value they propose to provide to account for these additional costs to Ontario ratepayers.
117. UCT is proposing to receive a return on CWIP during the construction phase (UCT Application, Section 5.8, Page 76-77), which under UCT's own example (UCT Response to UCT IR #10) will cost ratepayers an additional \$22.4 million in cash paid during construction. In the Report of the Board titled *The Regulatory Treatment of Infrastructure*

Investment in connection with the Rate-regulated Activities of Distributors and Transmitters in Ontario dated January 15, 2012 in EB-2009-0152, the Board acknowledges at page 15 that “including CWIP in rate base is a departure from traditional rate-making principles under which rate base is limited to plant that is “used and useful”.” It shifts some of the risk of plant construction from the utility to the ratepayer. However, ratepayers do not gain any benefit to compensate for this increased risk under UCT’s proposal. UCT explains in Response to UCT IR #10 that “[a]s the notional model indicates, the ultimate cost to ratepayers as shown through the present value of payments to investors, is equivalent.”

118. UCT has also proposed to develop a project-specific return on equity incentive whereby "NextBridge would seek to design a construct that produces a reasonable prospect for it to realize an ROE in the range of 9.5-9.9%, assuming similar risk-free interest rate levels and industry spreads as exist today" (UCT Application, Sections 5.8 and 5.4). In response to UCT IR #11, UCT clarified that the 10% ROE was intended to illustrate a premium over and above the standard Board approved ROE if superior performance is achieved. Much of UCT’s proposal is left unclear and vague, “to be developed in consultation with OEB staff and other stakeholders.” However, based on the full description of its proposal in its application and IR responses, UCT appears to be proposing to earn premium ROE for superior performance, but is not proposing a corresponding reduction in ROE below the Board's standard approved ROE if the “superior performance” is not achieved. AltaLink Ontario submits that this approach should be rejected, as it represents a one-sided transfer of risk onto Ontario ratepayers.
119. UCT's proposal for First Nations and Métis participation includes an "adder" that would pass the costs associated with facilitating First Nation and Métis economic participation onto Ontario ratepayers as a premium in approved transmission rates (UCT Response to UCT IR #9). By contrast, AltaLink Ontario's proposal for First Nations and Métis economic participation would not necessitate any additional premium tariff funded by ratepayers.

120. In general terms, UCT's proposal for First Nations and Métis participation appears to be vague and non-committal (UCT Application, Section 3 and Appendix 5, UCT IRRs General IR #6). UCT does not commit a specific proportion of equity for First Nations and Métis participation purposes, nor does UCT commit to offering any equity participation at all. By leaving all of its options open, UCT has not demonstrated that it has a clear plan to facilitate First Nations and Métis participation that can be evaluated by the Board.
121. In respect of UCT's proposed design, UCT's proposal to use 2.4m on the minor axis (UCT Application, Appendix 13, Tab A13b, Section C and Figures 1-4) does not comply with CIGRE 332 (MTR 3.6.4), which recommends a minor axis of 4.8m when assuming the maximum 12m major axis. AltaLink Ontario notes that this concern relates to the galloping issue that was the subject of General Interrogatory #17.
122. Finally, AltaLink Ontario has concerns about UCT's proposal to use guyed-Y steel lattice structures in the UCT recommended double circuit design for the East-West Tie Line (UCT Application, Section 6). In response to General IR #15, UCT refers to a number of examples of the use of guyed structures by Hydro Quebec, Manitoba Hydro and BC Hydro. However, it appears that each of these examples relate to the use of guyed towers for single circuit lines. There is nothing in UCT's response to indicate that the proposed guyed structures have been successfully used in terrain and weather conditions similar to that of Northern Ontario for a double circuit project similar to the UCT recommended plan. Further, UCT has failed to provide any comments on the potential risks of their recommended plan to use guyed-Y steel lattice structures for a double circuit project.

D. CONCLUSIONS

123. For all of the forgoing reasons, the Applicant submits that the Board should find that AltaLink Ontario is the most qualified and cost-effective transmitter to be designated to develop the proposed East-West Tie Line, as evidenced by its application.

All of which is respectfully submitted this 18th day of April, 2013.

Original signed by J. Mark Rodger

J. Mark Rodger

Original signed by John A.D. Vellone

John A.D. Vellone

Counsel to AltaLink Ontario.

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