

Response to Hydro One Networks Inc. (“HONI”) Interrogatory Questions to AltaLink Ontario, L.P. (“AltaLink Ontario”)

HONI Interrogatory #1 to AltaLink Ontario

REFERENCE

AltaLink application, Section 3, Affiliates of Applicant

QUESTION

AltaLink indicated, with respect to SNC-Lavalin’s ownership of AltaLink L.P. and AltaLink Ontario, L.P., that “on February 11, 2011, SNC-Lavalin announced that it had reached agreement to acquire the remaining indirect interest pursuant to an offer from Macquarie. The transaction is subject to customary closing conditions and regulatory approvals, including approval from the Alberta Utilities Commission.”

- a) Please provide an update regarding the status of this transaction.

RESPONSE

Approval of the transaction is currently before the Alberta Utilities Commission. The decision is expected by late September.

HONI Interrogatory #2 to AltaLink Ontario

REFERENCE

AltaLink application, Section 3, Affiliates of Applicant

QUESTION

- a) If a transmission licence is granted, please indicate the steps that AltaLink Ontario (“AOLP”) will take to ensure it is compliant with all relevant sections of the Affiliate Relationships Code (“ARC”).
- b) In light of the Board’s recent decision in TransCanada Transmission’s licence application (EB-2010-0324) to deny TransCanada’s request for a temporary exemption from the ARC, is AOLP prepared to withdraw its own request for such a temporary ARC exemption?
- c) If not, please indicate what is different about the circumstances of AOLP’s exemption request from TransCanada’s?

RESPONSE

a) In light of AltaLink Ontario’s amended exemption request (see the response to part b) below), AltaLink Ontario will take all commercially reasonable steps necessary to ensure compliance with the non-exempt provisions of ARC on the date the transmission licence is granted. AltaLink is very familiar with ARC requirements as it complies with similar affiliate relationship requirements under Alberta regulation. Please refer to our response to Board Staff IR#1 for more information on AltaLink Ontario’s plans in respect of compliance with Ontario specific regulatory requirements.

Assuming the limited exemption to Section 2.3 of ARC requested below is granted, effective on the Designation Date (as defined in the April 29, 2011 cover letter) AltaLink Ontario will take all commercially reasonable steps necessary to ensure that all existing and future affiliate relationships are in compliance with Section 2.3 of ARC.

b) AltaLink Ontario has reviewed the Board’s Decision in EB-2010-0324 as it relates to TransCanada’s request for a temporary exemption from Section 2.2.3 of ARC. AltaLink Ontario shares the Board’s concern in relation to confidential information that a licensed transmitter may receive both during the designation process and as part of the ongoing business of operating a transmission system.

In light of this concern, AltaLink Ontario hereby amends and narrows the scope of its requested Temporary Exemption to ARC as follows (capitalized terms are defined in our April 29, 2011 cover letter):

1. AltaLink Ontario requests a Temporary Exemption from Section 2.3 of ARC which will be effective only until the Designation Date.
2. AltaLink Ontario will comply with all other provisions of ARC, including the provisions related to the treatment of confidential information by licensed transmitters, on the date the transmission licence is issued.

c) Section 2.3 of ARC relates to the limited issue of transfer pricing between a utility and its affiliates. The provisions provide important safeguards to protect Ontario ratepayers against anti-competitive monopoly behaviours, but only if a utility is able to recover its costs in rates.

AltaLink Ontario understands that Hydro One currently recovers its costs incurred in connection with compliance with this and other provisions of ARC directly in existing electricity rates. By contrast, prior to the Designation Date, AltaLink Ontario will not recover any of its costs in rates.

Prior to the Designation Date, AltaLink Ontario expects that it will be necessary to retain the services of its affiliates to assist in developing and filing a Transmission Project Development Plan. Because of the requirements under Section 2.3 of ARC, this would oblige AltaLink Ontario to undergo the expense of preparing a formal business case analysis (s. 2.3.2.1), conduct a fair and open competitive bidding process (s. 2.3.3.2), and retain an independent evaluator to report on how the competitive bids meet the established criteria (s. 2.3.3.4).

This has the effect of mandating that AltaLink Ontario comply with a public tendering process prior to preparing a Transmission Project Development Plan even though no ratepayer money is being used to fund that effort.

In light of this concern, AltaLink Ontario is requesting a Temporary Exemption to Section 2.3 of the ARC on the basis that: (1) there is no risk of harm to Ontario ratepayers because AltaLink Ontario will not recover any of its costs associated with developing a Transmission Project Development Plan from ratepayers (these costs are to the account of AltaLink Ontario's unit holders); (2) the Temporary Exemption will fall away on the Designation Date, ensuring that AltaLink Ontario will be required to comply with these provisions for any costs that it could seek to recover in rates; and (3) without an exemption AltaLink Ontario will be put at a competitive disadvantage against incumbent transmitters participating in the designation process which can already recover the costs of compliance with ARC in existing utility rates.

HONI Interrogatory #3 to AltaLink Ontario

REFERENCE

AltaLink application, Section 5, Technical Ability AltaLink application, Section 6, Information About Each Key Individual

QUESTION

In Section 6, the application has identified key individuals that are currently engaged in electricity services.

- a) If a transmission licence is granted, will the key individuals listed in the application be located in Ontario, and if so, when? If not, who will be the key in-province contact(s)?
- b) Other than the key individuals listed, if a licence is granted, will AOLP have both staff and an office in Ontario?
- c) Will AOLP staff share office space with affiliates?
- d) Does AOLP plan to operate all network transmission facilities that it builds and owns in Ontario or will it outsource operations to a third party?
- e) If AOLP intends to operate and maintain transmission facilities in Ontario, what training plans does AOLP have to ensure its staff are trained in provincial transmission operating and maintenance practices and procedures?
- f) If no to part b), please describe how AOLP plans to operate and maintain transmission facilities.

RESPONSE

a), b), c) The three individuals identified in the application are directors of AltaLink Ontario and two of the three are currently located in Ontario. If AltaLink Ontario is successful in the designation process, the intention would be to expand its office in Ontario. Specific decisions regarding staffing, employee relocations, contracting, etc. will be made throughout the Board's designation process.

d), e), f) AltaLink Ontario will operate and maintain new transmission network facilities using internal resources and via contractual arrangements with external service providers. In any case, the assets will be operated and maintained in accordance with good utility practice and in compliance with all applicable regulatory requirements. For more information on AltaLink Ontario's operations and maintenance plans, please refer to our response to Board Staff IR#1.

HONI Interrogatory #4 to AltaLink Ontario

QUESTION

In Section 5a) the application says that;

“In addition to its close working relationship with AltaLink on high-voltage transmission projects in Alberta, SNC-Lavalin has also completed several assignments covering planning, design, construction and project management for high-voltage transmission facilities in Ontario.”

- a) Please provide three examples of high-voltage transmission projects that SNC-Lavalin has recently completed in Ontario. For each example, please include budgeted versus actual costs and time to complete with explanations for any major variances.
- b) Please provide a listing of any complaints received during the development and construction of these projects along with their resolution.
- c) Please indicate whether SNC-Lavalin was required to consult with any First-Nations/Métis groups as part of these projects, and if so, briefly describe the outcome of the consultation.

RESPONSE

The type of information being requested is competitive data that would typically be protected by confidentiality provisions. In any case, SNC-Lavalin is not a party to this proceeding and the applicant, AltaLink Ontario, is not in possession of the information requested.