

Response to Board Staff Interrogatory Questions to AltaLink Ontario, L.P. (“AltaLink Ontario”)

Board Staff Interrogatory #1 to AltaLink Ontario

REFERENCE

Application, Section 5. Technical Ability

QUESTION

AltaLink states that it intends to contract its affiliate SNC-Lavalin Inc. to design and construct the transmission facilities. Will the same technical resources be employed to address technical matters related to the operation and maintenance of the transmission facilities? If not, please describe AltaLink’s plans.

RESPONSE

AltaLink Ontario will operate and maintain new transmission network facilities that it builds and owns in Ontario 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 the Transmission System Code and all other regulatory requirements. AltaLink Ontario will have access to the transmission ownership, operation, and maintenance expertise of AltaLink Management Ltd. AltaLink owns, operates and maintains over 12,000 km of transmission facilities and 260 substations across Alberta at voltages between 500 kV and 25 kV. AltaLink has extensive experience in transmission asset ownership and asset management including engineering, system operations and field maintenance with a proven track record in meeting all regulatory and industry standards, whether these standards are specific to the provincial jurisdiction or applicable industry standards common across Canada, the US, or the industry as a whole. If requested, AltaLink Ontario can provide extensive information demonstrating the capabilities of AltaLink in the ownership, operation and maintenance of transmission facilities commensurate with the critical infrastructure service these facilities provide to ratepayers and customers.

Those resources providing operation and maintenance on transmission facilities in Ontario will be trained on Ontario specific codes and regulations related to transmission ownership, operation and maintenance. AltaLink resources have been and continue to be engaged in Canadian committees, standards development teams, numerous industry groups and with industry peers such as Hydro One, Hydro Quebec, BC Hydro to continue to enhance the ownership, operation and maintenance of transmission facilities. This engagement provides a foundational understanding of requirements, standards, practices and procedures associated with owning, operating and maintaining transmission facilities. Any unique Ontario specific requirements will be identified through a review process and necessary training plans developed to ensure compliance with Ontario specific regulations and codes. Additionally, AltaLink Ontario may bring new practices and procedures that will enhance the operation and maintenance of transmission facilities in Ontario.

Board Staff Interrogatory #2 to AltaLink Ontario

REFERENCE

Application, Section 7. Financial Information

QUESTION

- (a) In its decision granting a transmission licence to Chatham-Kent Transmission Inc. (EB-2010-0351), the Board indicated that in a licensing application, it would “review to some degree the applicant’s financial status [and] its potential for access to further financial resources”. Please describe AltaLink’s plans for financing any Ontario transmission facilities it may construct, including its potential for access to any necessary further financial resources.
- (b) AltaLink has provided the financial statements of AltaLink Investments, L.P. in support of its financial position, as AltaLink is a newly created entity for which financial statements have not yet been prepared. In these circumstances, the Board may require a parental guarantee. Please confirm that AltaLink Investments, L.P. has reviewed the Board’s standard parental guarantee form and that AltaLink Investments, L.P. is prepared to sign the guarantee, should the Board consider such assurance necessary.

RESPONSE

a) As AltaLink Ontario is a newly formed entity, any required debt and/or equity financing would be provided from either the direct parent (AltaLink Investments, L.P. or “AILP”) or AltaLink Ontario’s ultimate owner, SNC-Lavalin Group Inc. or “SNC”. SNC is a leading international engineering and construction company, a leader in Operations and Maintenance activities in Canada, and is also recognized for its select investments in infrastructure concessions. SNC is located in over 35 countries with 24,000 employees working on over 10,000 projects in some 100 countries. At March 31, 2011 SNC had over \$7.7B in assets which includes cash and cash equivalents of \$1.2B.

Equity and debt financing could also be provided by AltaLink Ontario’s direct owner, AILP. AILP has access to the Canadian debt capital markets as evidenced by the issuance of \$150M 7 year 5.207% Senior Bonds in December 2009 and \$200M 7 year 5.019% Senior Bonds in November 2005. Additional funds could also be sourced from AILP’s \$150M credit facility of which \$122M was undrawn at March 31, 2011. Also, in October 2012 AILP will receive \$85M from a maturing investment.

b) AILP has reviewed the Board’s standard parental guarantee form and is prepared to provide a parental guarantee providing financial assurance for the Board’s costs under the transmission licence should the Board consider such assurance necessary.

Board Staff Interrogatory #3 to AltaLink Ontario

REFERENCE

Request for Temporary Exemption

QUESTION

- (a) In the EB-2010-0351 decision, the Board stated “The Board is generally very reluctant to grant exemptions to its Code provisions.” The Board has not yet granted to any transmission licence applicant a broadly based temporary exemption such as that sought by AltaLink. It is possible that the Board may deny the exemption request. Please indicate if AltaLink would wish to be licensed if the Board granted a licence without the temporary exemption.
- (b) AltaLink has provided illustrative examples of provisions that should not apply to a licensed transmitter who presently neither owns nor operates transmission facilities in Ontario. With respect to the Affiliate Relationships Code for Electricity Transmitters and Distributors, and the Transmission System Code, please indicate what provisions in these codes, if any, should apply to such licensed transmitters before the Designation Date.
- (c) As an illustrative example of the licence conditions from which AltaLink should be temporarily exempt, the application states that AltaLink should not be obligated to enter into an Operating Agreement with the IESO until the Designation Date. Has AltaLink discussed this proposed exemption with the IESO? If yes, what was the IESO’s response?

RESPONSE

- (a) Yes, AltaLink Ontario wishes to be licensed even if the Board grants a licence without granting some or all of the requested Temporary Exemptions.
- (b) AltaLink Ontario has not completed an analysis of, and has no opinion on, what provisions of the Board’s standard transmission licence, TSC and ARC “should apply” to a licensed transmitter before the Designation Date. This question is properly within the authority of the regulator, and its staff, and AltaLink Ontario is hesitant to presuppose any such conclusions.

However, to assist the record in this proceeding, AltaLink Ontario has completed an analysis of specific provisions of the transmission licence, including the TSC and ARC, to identify what provisions are problematic from the perspective of a new entrant transmitter seeking a licence to participate in the Board’s designation process. This approach is consistent with the Board’s Framework which provides that “[i]f a new entrant transmitter feels that there are particular requirements that should not apply to them, it may raise those issues as part of its application process.”

In general, many of the obligations in the Board's transmission licence presuppose that a transmitter already owns or operates a transmission system in Ontario. The licence and the

referenced codes were designed to regulate actual transmitters. It was not designed to govern new entrant transmitters that seek to participate in the Board's designation process on a competitive and equal footing with incumbent transmitters.

There are many provisions in the transmission licence that are not relevant to new entrants who do not own or operate transmission systems in Ontario, and as a result should not apply at least until the Designation Date.

1. In the actual transmission licence, the obligation to enter into an Operating Agreement (s. 6.1), obligations to provide non-discriminatory access (s. 7), the obligation to connect (s. 8), and the obligation to maintain system integrity (s. 9) all assume that a transmitter actually owns or operates a transmission system. This is not the case for new entrants like AltaLink Ontario, at least until the Designation Date.
2. Similarly, the obligation on a transmitter to prepare, file and execute on a smart grid plan and a plan to accommodate the connection of renewable energy generation facilities under Section 70(2.1) of the *Ontario Energy Board Act, 1998*, assumes that the transmitter already owns or operates transmission facilities in Ontario. This is not the case for new entrants like AltaLink Ontario, at least until the Designation Date.
3. Under the Transmission System Code, the obligation to maintain and make available to customers a list of transmission services and associated rates (4.2.1), to develop, file, and publish performance standards that apply at a customer delivery point level (4.5.1, 4.5.2, 4.5.5), to prepare, file, and get approval of, publish on its website and make available upon request Board-approved connection procedures (6.1.5, 6.1.3, 6.1.5), to design and construct new or modified connection facilities on a timely basis and in accordance with the Board-approved connection procedures (6.1.1), to enter into agreements with neighbouring Ontario transmitters (6.8.1), to maintain complete and accurate records of all economic evaluations and file those records with the Board on request (6.9.1 and 6.9.2), to inspect, test and monitor facilities to ensure continued compliance with all applicable standards and instruments (7.1.1), and to maintain complete and accurate records of the results of such tests for a minimum of seven years (7.1.2) all assume that a transmitter actually owns or operates a transmission system. This is not the case for new entrants like AltaLink Ontario, at least until the Designation Date.

It is unclear to AltaLink Ontario why the Board would expect a newly licensed transmitter that has entered Ontario to participate in the Board's designation process to comply with the licence requirements noted above when that new entrant does not actually own or operate a transmission system in Ontario. The requirements are not hypothetical, they are binding legal obligations imposed by the Board upon licensed transmitters requiring in several instances that the transmitters take positive steps, at considerable expense, to comply with those provisions when the justification for imposing those obligations appears, from AltaLink Ontario's perspective, to be absent, at least until the Designation Date.

Finally, with respect to the Affiliate Relationship Code, AltaLink Ontario has considered the Board's Decision in EB-2010-0324 and as a result has revised its requested Temporary

Exemption as noted in response to Hydro One IR#2. For the reasons given in response to Hydro One IR#2, AltaLink Ontario remains of the view that Section 2.3 of the Affiliate Relationship Code should not apply to new entrants like AltaLink Ontario, at least until the Designation Date.

(c) AltaLink has discussed this particular Temporary Exemption request with senior personnel at the IESO. The IESO's response was as follows:

"The IESO is content to allow new entrant transmitters, i.e. AltaLink and other licence applicants not currently carrying on a transmission business in Ontario, to defer entering into an operating agreement with the IESO until such time as the transmitter is designated by the Ontario Energy Board to develop transmission facilities in Ontario. AltaLink understands that if a new entrant transmitter makes certain assumptions about the contents of the Operating Agreement for the purposes of determining project economics in preparing their bids - those assumptions are entirely the risk of the new entrant transmitter should the actual terms of the Operating Agreement with the IESO differ."

AltaLink confirms that the IESO has reviewed and approved of this IR response.