



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0236

2472883 ONTARIO LIMITED ON BEHALF OF WATAYNIKANEYAP LP

Application for an Electricity Distribution Licence

BY DELEGATION, BEFORE: **Brian Hewson**
Vice President,
Consumer Protection & Industry Performance

September 28, 2017

INTRODUCTION AND SUMMARY

2472883 Ontario Limited on behalf of Wataynikaneyap Power LP (WPLP) filed an application on June 15, 2017 with the Ontario Energy Board (OEB) under section 60 of the *Ontario Energy Board Act, 1998* (OEB Act) for an electricity distribution licence. The application pertains to a distribution system in northwestern Ontario between Red Lake and the Pikangikum First Nation Reserve that WPLP is developing and intends to construct, own and operate (Pikangikum Project). According to the application, the Pikangikum Project is being developed to address an urgent need for grid connection of the Pikangikum First Nation on an interim basis until such time as the Pikangikum First Nation can be served by a transmission project that is also planned by WPLP.

The OEB finds that it is in the public interest to issue an electricity distribution licence to WPLP in respect of the Pikangikum Project.

This Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6 of the OEB Act.

BACKGROUND

The Applicant

WPLP is an Ontario limited partnership, created in 2015, with interests held by two limited partnerships, First Nation LP (51%) and Fortis (WP) LP (49%). The limited partnership interests in First Nations LP are held directly by 22 First Nations in equal shares. Fortis (WP) LP's general partner, Fortis (WP) GP Inc., is wholly owned by FortisOntario Inc., a company that owns and operates generation, transmission and distribution businesses in Ontario.

WPLP is a licensed Ontario transmitter. In accordance with its electricity transmission licence, WPLP is developing a transmission project in northwestern Ontario (Transmission Project). Briefly, the Transmission Project comprises a new transmission line originating between Ignace and Dryden and terminating at Pickle Lake, and transmission lines extending north from Pickle Lake and Red Lake as required to connect a number of remote First Nation communities. The Transmission Project as described in WPLP's transmission licence, has been declared a priority project by the Lieutenant Governor in Council under section 96.1 of the OEB Act. To date, no application for leave to construct the Transmission Project has been filed by WPLP with the OEB.

The Pikangikum Project

The Pikangikum First Nation is currently served by a distribution system owned and operated by Eshkotay Wayab, an independent power authority operated as a business by Pikangikum First Nation. The First Nation is served by diesel generation.

The Pikangikum Project is one part of the planned Transmission Project, specifically the portion running approximately 117 km from Red Lake to the Pikangikum First Nation Reserve. Although WPLP intends to construct the line in question using 115 kV level conductors, the line will initially be connected to Hydro One Networks Inc.'s (Hydro One) distribution system and operated at a distribution voltage of 44 kV. According to the application, the Pikangikum Project will enable the Pikangikum First Nation to be connected to the grid by late 2018, about 3-4 years before they could be connected through the Transmission Project, and will address severe capacity constraints and significant reliability issues with the current reliance on diesel generation.

WPLP intends to design the Pikangikum Project so that it may be converted to transmission facilities in a manner that minimizes the need for additional cost or construction activity. Once the Transmission Project north of Red Lake is ready to serve additional communities, the facilities comprising the Pikangikum Project will be converted so as to instead be connected to Hydro One's transmission system and will operate at a transmission (115 kV) voltage. Through this approach, duplication of electricity infrastructure will be avoided. WPLP has stated that, when it applies for leave to construct the Transmission Project, it will among other things seek the OEB's approval to convert approximately 94 km of the Pikangikum Project to operate at transmission voltages. According to WPLP, once the Pikangikum Project goes into service, the Pikangikum First Nation will transfer the ownership and operation of its distribution assets to Hydro One Remote Connections Inc. (HORCI).

According to the application, the capital costs of developing and constructing the Pikangikum Project are expected to be paid for primarily through funding provided by Indigenous and Northern Affairs Canada (INAC), although at the time of the application the full extent of that funding was not certain. Since the filing of the application, INAC has announced that funding in the amount of \$60 million will be provided to the Pikangikum Project. WPLP indicated that it intends to apply for approval of distribution rates, to take effect when the Pikangikum Project goes into service.

FINDINGS

Based on the evidence filed, the OEB has determined that it is in the public interest to grant an electricity distribution licence to WPLP. The term of the licence is 5 years, consistent with the evidence provided by the applicant as to the period during which the Pikangikum Project will be a distribution system.

The key areas reviewed by the OEB in any licence application are the financial viability, technical capability and conduct of the applicant. The OEB finds that WPLP has provided sufficient evidence of financial viability and technical capability to demonstrate that it is qualified to do business in Ontario's distribution sector. Specifically, WPLP provided 2015 and 2016 financial statements for FortisOntario, Inc. and 2015 and 2016 annual reports for Fortis Inc., an affiliate of FortisOntario, Inc., as no financial results are available for WPLP at this time. The evidence demonstrates that both Fortis Inc. and FortisOntario Inc. are in a very strong financial position. The OEB finds that WPLP has, through its affiliated entities, sufficient financial backing to undertake the Pikangikum Project.

The OEB also finds that WPLP has, through its affiliated entities, adequate technical capability to reliably operate a distribution system and that senior management have significant electricity grid experience.

The OEB is satisfied that the Pikangikum Project will fill a pressing exigent need for the Pikangikum First Nation, and will contribute to achieving the connection to the provincial grid of remote northwestern First Nation communities in keeping with the priority that the province has given to that objective. The OEB notes WPLP's commitment to seek leave to construct in respect of activities that will be necessary in order for the Pikangikum Project to be operable as a transmission system.

In its application, WPLP acknowledged its awareness and intention to comply with its licence conditions, market rules and all applicable OEB codes. However, the applicant sought some clarification with respect to its characterization under the Distribution System Code (DSC) and Retail Settlement Code (RSC). Specifically, based on its unique situation of being a host distributor to HORCI, while being an embedded distributor to Hydro One, hence not being a wholesale market participant, WPLP will not be in a position to fulfill all of the responsibilities of the host distributor contemplated under the DSC and RSC. Therefore the applicant expects that HORCI would settle most of its charges directly with Hydro One and would only settle with the applicant based on distribution rates approved by the OEB. As the line has not been built and the transfer of the Pikangikum First Nation's generating and distribution facilities has not been

completed, it is premature to comment on the matter of clarification. The OEB finds that the clarification requested is more appropriately dealt with at the time of WPLP's application for distribution rates.

IT IS ORDERED THAT:

1. The application is granted, on such conditions as are contained in the attached licence.

DATED at Toronto September 28, 2017

ONTARIO ENERGY BOARD

Original signed by

Brian Hewson
Vice President, Consumer Protection & Industry Performance