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

DECISION AND ORDER

EB-2018-0098

HYDRO ONE NETWORKS INC.

Application for Leave to Construct Transmission Facilities between Spruce Falls Junction and Carmichael Falls Junction in the Kapuskasing area

BEFORE: **Emad Elsayed**
Presiding Member

Michael Janigan
Member

August 23, 2018

TABLE OF CONTENTS

1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) on an application filed by Hydro One Networks Inc. (Hydro One), under sections 92 and 97 of the *Ontario Energy Board Act, 1998* (the Act) for leave to construct transmission facilities.

Hydro One owns and operates a 115-kilovolt electricity overhead transmission line and associated station facilities between Spruce Falls Junction and Carmichael Falls Junction, in the Kapuskasing area in Ontario. Hydro One seeks approval to undertake an approximately $21 million upgrade of these facilities. The need for the upgrade – referred to as the Kapuskasing Area Reinforcement Project – was identified by the Independent Electricity System Operator (IESO), with a required in-service date of no later than June 2020.

The OEB received numerous letters of comment on the application, as well as evidence and submissions from OEB staff, the Independent Electricity System Operator (IESO) and Atlantic Power Limited Partnership (Atlantic Power).

Having considered the evidence on the record of the proceeding, and in the light of the submissions made by the parties as well as the letters of comment, the OEB grants the application, subject to the conditions of approval contained in the Order.

1.1 Proposed Transmission Facilities

The Kapuskasing Area Reinforcement Project consists of the following components:

- An upgrade of a 32 km section of circuit “H9K”, which is a 115 kV transmission line between Carmichael Falls Junction and Spruce Falls Junction, in order to increase the rating to at least 310 A; and,
- The installation of a 10 MVar capacitor and a 10 MVar reactor at Kapuskasing Transformer Station (TS).

(collectively referred to as the KAR Project or Transmission Facilities).

The geographical location of the KAR Project is detailed in the map attached as Appendix A to this Decision and Order.

1.2 The OEB's Jurisdiction

The application was filed under Section 92 of the Act. The OEB's power to grant an applicant permission to build transmission facilities arises from Subsection 92(1) of the Act which states:

> 92. (1) No person shall construct, expand or reinforce an electricity transmission line or an electricity distribution line or make an interconnection without first obtaining from the Board an order granting leave to construct, expand or reinforce such line or interconnection. 1998, c.15, Sched.B, s.91 (1).

In discharging its duties in a Section 92 proceeding, the OEB is also bound by the provisions of Section 96 of the Act, which states:

> 96.(1) If, after considering an application under Section 90, 91 or 92 the Board is of the opinion that the construction expansion or reinforcement of the proposed work is in the public interest, it shall make an order granting leave to carry out the work.
>
> (2) In an application under Section 92, the Board shall only consider the following when, under Subsection 1, it considers whether the construction, expansion or reinforcement of the electricity transmission line or electricity distribution line or the making of the interconnection, is in the public interest:
>
> 1. The interests of consumers with respect to prices and the reliability and quality of electricity service.
>
> 2. Where applicable and in a manner consistent with the policies of the government of Ontario, the promotion of the use of renewable energy resources. 2009, c.12, Schedule D, s.16.

The Act also gives the OEB oversight of the form of agreement negotiated with landowners whose lands are affected by the approved route or location of a proposed transmission project. Section 97 of the Act states:

> 97. In an application under Section 90, 91 or 92, leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board.

The scope of the Act does not allow the OEB to consider matters such as the contribution of electricity facilities to the local economy, the creation of jobs, or other social economic impacts in determining whether or not to grant leave to construct under section 92 of the Act.

While the OEB's approval of a leave to construct application is typically contingent on the applicant obtaining all necessary permits and approvals, including necessary environmental approvals, specific considerations relating to the construction of a project, including environmental or social economic impacts, are outside the OEB's jurisdiction.

1.3 Status of Environmental Approvals

Hydro One states that it completed a Class Environmental Assessment (EA) for the KAR Project under the *Class EA for Minor Transmission Facilities.* The Class EA for *the* KAR Project followed the Screening Process for Minor Transmission Facilities and was completed in November 2017[1]. Hydro One submits that "During the Class EA process, Hydro One did consider social economic effects related to the proposed project; however, no social economic effects were identified"[2]. Hydro One also confirms that, as part of its EA, it sent notifications to over 2,000 landowners and residents adjacent to the proposed transmission facilities, consulted with Ministry of Natural Resources and Forestry regarding the necessary permits, notified First Nations and Metis communities, and engaged with one community that expressed interest in the proposed project.

[1]Response to Atlantic Power Interrogatory 9, Exhibit I, Tab 2, Schedule 9, page 1
[2] Response to Atlantic Power's interrogatory 5 k), Exhibit I, Tab 2, Schedule 5, page 5

2 THE PROCESS

Hydro One filed the application on February 6, 2018, for leave to construct the KAR Project, under section 92 of the Act.

On March 8, 2018, Hydro One amended the application, under section 97 of the Act, to also seek OEB approval of the form of land use agreements that the utility proposes to offer to landowners to use their lands during construction of the KAR Project.

The OEB issued a Notice of Application on March 27, 2018, which Hydro One served and published as the OEB directed. The OEB proceeded by way of a written hearing and issued Procedural Order No. 1 on April 23, 2018, to set the schedule for written discovery and submissions. The order granted the intervention request filed by the IESO, and set out procedural dates relating to the filing of interrogatories and written submissions. Subsequently, on May 1, 2018, the OEB received a late intervention request from Atlantic Power. Hydro One did not object to the intervention request and, on May 3, 2018, the OEB issued a letter granting Atlantic Power intervenor status in this proceeding.

The OEB received letters of comment from seven different interested parties, dated from May 22 to July 24, 2018. The common theme in those letters was that the proposed KAR Project will have social, economic and environmental impact on the local area and therefore a full a comprehensive cost/benefit analysis of the alternatives to Hydro One's proposal should be undertaken before a decision is made. More specifically, the letters referred to Atlantic Power's Calstock biomass Generation Facility which is operating under a contract with the IESO that expires in June, 2020.

On June 1, 2018, Procedural Order No. 2 was issued, which made provision for the filing of additional evidence by Atlantic Power, interrogatories on that evidence, and dates for final written submissions. By way of a letter dated June 13, 2018, Hydro One indicated its view that Atlantic Power's filing on June 7, 2018 was argument in nature, and not evidence. OEB staff and the IESO filed interrogatories on Atlantic Power's evidence. Hydro One did not.

On June 21, 2018, Atlantic Power provided its responses to the interrogatories filed by OEB staff and the IESO, together with a request for the OEB to amend the dates set out in Procedural Order No. 2. Atlantic Power stated that Hydro One's June 13, 2018 letter was not served on Atlantic Power, as directed by the OEB. In addition, Atlantic Power indicated that it was neither fair nor reasonable that Hydro One not express its views on Atlantic Power's evidence until Hydro One's reply submission. Atlantic Power proposed the OEB amend the dates in Procedural Order No. 2 to require Hydro One to file an

argument-in-chief, including its views on Atlantic Power's evidence, by June 28, 2018 and that Atlantic Power be allowed to file its final submission by July 12, 2018, with the other dates amended accordingly.

The OEB accepted Hydro One's explanation, filed June 22, 2018, that its error in not serving the June 13, 2018 letter on all parties was due to an administrative oversight. In its June 22, 2018 letter, Hydro One also stated its belief that any amendment to the current procedural order of this proceeding would be unnecessary and inappropriate.

Having considered the positions set out above, the OEB issued Procedural Order No. 3 on June 27, 2018, setting new dates by which Hydro One was to file written argument-in-chief, followed by the submissions of the other parties in this proceeding and a reply submission by Hydro One.

Hydro One filed its written argument-in-chief on July 5, 2018. On July 17, 2018, OEB staff, the IESO and Atlantic Power filed their written submissions. On July 24, 2018, the record for the proceeding was completed with Hydro One's filing of its reply submission.

3 DECISION ON THE ISSUES

3.1 Interests of Consumers with Respect to Pricing

The estimated total cost of the KAR Project is $21.1 million, of which approximately $15.1 million is attributable to the circuit H9K upgrades and $6 million is related to the station work at Kapuskasing TS to install a 10 MVar capacitor bank and reactor.[3] In its application, Hydro One indicated the line cost of $15.1 million is comparable to the D2L Dymond X Upper Notch Junction line refurbishment that went into service in August 2017.

Hydro One submits that the need for the KAR Project is being driven by the IESO. The need for the KAR Project was defined by the IESO's bulk system study in 2016, following its regional planning discussions and assessment work relating to the "North & East of Sudbury Region", composed of Greater Sudbury Hydro Inc., North Bay Hydro Distribution Ltd., Northern Ontario Wires Inc., Hydro One Networks Inc. and IESO[4]. The scope of the study involved investigating the adequacy and operation of the electricity transmission system supplying the Kapuskasing area, as it currently exists and following the contract expiry of local area generators (Calstock Generation Facility[5] and Kapuskasing Generation Facility[6]).

The IESO identified that increased power transfer limits across H9K would be required to supply the Kapuskasing area during high hydroelectric generation in the absence of local generation facilities once contracts expire as a firm source of supply. This increased power demand causes sections of the H9K to become overloaded.[7] The IESO study concluded that, "based on technical and economic analysis performed by the IESO, the proposed Transmission Facilities are the least-cost option for providing the required reliability"[8]. As well, the Transmission Facilities are required to be in-service no later than June 2020.

The IESO's bulk system studies for the Kapuskasing area determined that reliance on external supply resources from outside the area would not meet reliability standards. At

[3] EB-2018-0098 Hydro One's Evidence Exhibit B, Tab 1, Schedule 1, page 3, lines 1-8.
[4] Exhibit B, Tab 3, Schedule 1, Attachment 1, page 2-3 of Hydro One's application
[5] Renewable generation facility located 30 km west of Hearst, Ontario that utilizes combined waste heat recovery and renewable biomass to generate power. Maximum capacity of about 40 MW. Atlantic Power Evidence, page 10
[6] Combined cycle power plant located on south side of Kapuskasing, Ontario with a nominal capacity of 40 MW. Atlantic Power Evidence, page 15
[7] Hydro One Argument-In-Chief, page 1, paragraph 4, line 24
[8] Hydro One Application, Exhibit B, Tab 3, Attachment 1, page 3.

the same time, voltages in the Kapuskasing area are expected to fall below minimum requirements and exceed the voltage change limits prescribed by section 4.3 of the Ontario Resource and Transmission Assessment Criteria (ORTAC).

The IESO studied three alternatives in arriving at its recommendation:

1. **Option 1 (Proposed Alternative)** - Advance the upgrade of the 32 km section of H9K between Carmichael Falls JCT and Spruce Falls JCT by 10 to 15 years thereby increasing the rating of H9K by at least 310 amps and install a 10 Mvar capacitor bank. The estimated cost of advancing the upgrade for an October 2019 in-service date including the capacitor bank has an NPV in 2017 dollars of approximately $8.4 to $10.5 million.

2. **Option 2** - Do not advance the upgrade to H9K, and instead install a new 10 MW generator in the Kapuskasing area for 10 to 15 years, followed by the installation of a capacitor bank to address voltage needs at the end of the contract term and aligned with the end-of-life upgrade of circuit H9K. This option requires quick start, short lead-time and thus a reciprocating engine is deemed by the IESO to be the most-effective resource for this need. At the end of the contract term for this generator, which would align with the end of life upgrade of H9K, the capacitor bank would be required to meet voltage needs. The estimated NPV in 2017 dollars for this option is $43 to $47 million.

3. **Option 3** - Do not advance the upgrade to H9K, and instead install a new 10 MW generator in the Kapuskasing area for 10 to 15 years, followed by the installation of a capacitor bank to address voltage needs at the end of the contract term and aligned with the end-of-life upgrade of circuit H9K. However, the IESO notes because of the size and configuration of the existing facilities, the capacity of the lowest-cost option is approximately 30 MW. Execution of a new supply contract at this existing generation facility until circuit H9K reaches end-of-life, followed by an installation of a capacitor bank to address voltage needs is estimated to have a NPV in 2017 dollars of more than $38 million.

Atlantic Power, the owner and operator of two generation facilities in the area (i.e. Calstock Generation Facility and Kapuskasing Generation Facility), submitted that the IESO substantially overstated the costs of utilizing Atlantic Power's existing facilities to meet the local system needs in the IESO's alternative analysis, and that "a more fulsome consideration of all of the alternatives / options" should be pursued. In its submission of June 7, 2018 and final submission of July 17, 2018 Atlantic Power provided the following arguments supporting its recommendation for further consideration of the alternatives and options for the reliability and supply of the Kapuskasing area:

1. The Calstock facility shuts down on weekends thus has a degree of operational flexibility and does not run baseload at all hours. Atlantic Power has a degree of operational flexibility that could be used in meeting system needs from either the Kapuskasing or Calstock facility or both. In addition, Atlantic Power could implement incremental changes to one or both facilities that would cost considerably less than a complete asset overhaul that would further increase operational flexibility.

2. Hydro One failed to explain why the IESO utilized third party cost estimates for new generation facilities, thereby not providing an appropriate benchmark to Atlantic Power's existing facilities that have equipment with a useful life that corresponds to a 10-15 year term.

3. Hydro One's evidence does not explain why a number of relevant factors were not taken into account, namely: capacity (capacity has an intrinsic value separate from meeting local reliability needs - for example capacity is currently valued by the IESO at $200/MW-day in the Northeast Region based on the May 10, 2018 IESO demand response auction results); energy (energy has an intrinsic value separate from meeting local reliability needs, as determined by the Hourly Ontario Electricity Price); and ancillary services (such as VAR support, which has a value separate from meeting local reliability needs).

4. The IESO and Hydro One failed to invite or enter into discussions with Atlantic Power regarding the regional reliability of power in the Kapuskasing area, despite the importance of Atlantic Power's facilities currently in the area. Since the application was filed, a number of letters of comment were received from local municipal leaders, local business groups and the Power Worker's Union, all of which recommended that the benefits of utilizing local and existing generation resources should be considered and weighted.

Atlantic Power noted that it would be willing to entertain "a mutually agreeable short-term contract" past June 2020 to alleviate schedule pressure and ensure that system needs continue to be met. Atlantic Power requested that the OEB deny Hydro One's leave to construct application, "pending the completion of evidence that Hydro One and the IESO engaged in a transparent, iterative and fair cycle of discussions with Atlantic Power to identify technical system needs, to identify options to utilize existing facilities to meet those needs, and finally to properly cost those options and compare them to the proposed facility upgrades on an apples-to-apples basis."[9]

[9] Atlantic Power Evidence (Exhibit J), page 2 and 3.

Through responses to interrogatories, Atlantic Power developed an illustrative cost estimate using publicly available assumptions that amounts to $19.191 million for a 5-year contract of its Calstock Generation Facility. Atlantic Power stated that "ratepayers breakeven if the annual contract price with Calstock is equal to $19.191 M…to the extent the annual payments to Calstock are less than the breakeven point, ratepayers are better off over the 5-year period."[10]

It should be noted that Atlantic Power's Calstock Generation Facility is a biomass facility currently operating under contract with the IESO until June, 2020. The Kapuskasing Generation Facility is currently "mothballed".

In its submission the IESO maintains its position that the power plant options presented by Atlantic Power "either would not be viable in meeting the reliability needs or would not be cost competitive alternatives" to the proposed Transmission Facilities.[11] The IESO also states that Option 1 is the least cost option for providing the required levels of reliability to satisfy the applicable requirements of the Ontario Resource and Transmission Adequacy Criteria.

With respect to Atlantic Power's first argument regarding operational flexibility, the IESO indicates for any generation option: "the generation must have rapid start-up capabilities or run as baseload generation at minimum loading point in order to be available to address the specific reliability needs"[12]. The IESO included estimated costs for these types of modifications in its assessment of the alternatives. Atlantic Power confirmed modifications to its facilities would be required to achieve quick start capabilities but failed to provide any evidence as to the magnitude of these costs. The quick start capability is necessary to ensure the facilities are available to meet the reliability needs of the Kapuskasing Area. In regard to Atlantic Power's second argument, the IESO states that: In conducting its analysis, the IESO used costs for similar IESO-contracted facilities in Ontario as well as third party cost estimates and that these sources provide a reasonable and reliable basis to determine the cost range for the generation options.[13] While the IESO agrees that capacity, energy and ancillary services are factors to be considered, the IESO disagreed with Atlantic Power's analysis because of congestion on the transmission system during periods of high output from hydroelectric generation impacts a generator's ability to offer these services to the provincial grid. In this regard, the IESO concluded, "as a result, the services that [Atlantic Power's] facilities could

[10] Atlantic Power Interrogatory Responses, staff-2, page 7
[11] IESO Final Submission, July 17, 2018, page 3.
[12] IESO Final Submission, page 2
[13] IESO Final Submission, page 3

provide would offer less value to the Ontario electricity system than indicated in [Atlantic Power's] evidence at Exhibit J".[14]

With respect to Atlantic Power's view that consultation was lacking and that further evaluation is needed, Hydro One indicated that the study for the Kapuskasing area was conducted as a separate bulk study and was not part of the North-East of Sudbury regional planning process[15]. Hydro One further noted that the IESO's Regional Planning Process is distinct from bulk planning studies that conducts engagements on a case-by-case basis. Hydro One stated: "In this case, the IESO did not engage externally because of the cost difference between options and scope of the recommended project"[16]. In its reply argument of July 24, 2018 Hydro One stated:

> Consistent with the Ministerial Directive, the IESO considered generation alternatives in their assessment of the need for the Project and decided that a transmission solution was a more prudent investment, as the generation alternatives were all substantially more expensive than the KAR Project or, in the alternative, the generation alternatives could not meet the reliability needs of the area[17].

OEB staff submitted that the KAR Project appears to be the most efficient solution from a cost perspective for addressing the system reliability needs. OEB staff further provided that Atlantic Power's illustrative example of costs for a 5-year contract (i.e. $19.191 million) "fails to recognize that the proposed Transmission Facilities by Hydro One address the needs for the foreseeable future, whereas at the conclusion of a 5-year contract with Atlantic Power, additional investments will still be required to maintain reliability"[18]. OEB staff noted that Atlantic Power was provided an opportunity to file (on a confidential basis) more specific estimates of the costs to contract one of its generation facilities but did not do so. OEB staff submitted that Atlantic Power's proposal with respect to a 5-year contract could be competitive with Hydro One's application if there was evidence that, at the end of the 5-year term, the need for the KAR Project may no longer exist; however, there is no evidence to indicate that this may be the case.

Hydro One's evidence also indicates that the KAR Project costs will have no impact on the overall average Ontario consumer's electricity bill.[19]

[14] IESO Final Submission, page 4
[15] Response to Atlantic Power's Interrogatory 2
[16] Hydro One interrogatory responses, Exhibit I, Tab 2, Schedule 2, page 3
[17] Hydro One reply argument, page 4
[18] OEB staff Submission, page 6
[19] EB-2018-0098 Hydro One's Evidence Exhibit B, Tab 1, Schedule 1, page 3, lines 9-12.

Findings

The OEB finds that the option recommended by the IESO (Option 1 in Section 3.1 of this Decision and Order) appears to be the least cost option in the long term. According to the IESO, this option has an NPV cost in 2017 dollars of $8.4 to $10.5 million depending on the assumed end of life year for H9K.

According to the IESO, the option suggested by Atlantic Power (Option 3) has an NPV cost in 2017 dollars of more than $38 million. Atlantic Power's position was that this cost estimate is substantially overstated. However, no evidence was provided to support this claim. Having said that, Atlantic Power submitted, as an illustrative example of an extended supply contract, that ratepayers would break even if the **annual** contract price with the Calstock facility is equal to $19.191 million, over 5 years. This is still to be followed by upgrading of H9K before its end of life to meet the reliability needs of the Kapuskasing area.

Based on these estimates, and even assuming that some value is to be assigned to capacity, energy and ancillary services provided by the contracted facilities, the difference in cost estimates is so large that the OEB does not see a reasonable potential that these gaps in cost estimates can be practically reduced.

3.2 Reliability and Quality of Electricity Service

System Impact Assessment (SIA)

Filed with the application was the IESO's System Impact Assessment (SIA) for the connection of the Transmission Facilities, completed April 6, 2016. As noted in the SIA, the IESO concluded that the proposed connection of the Transmission Facilities will not result in a material adverse impact on the reliability of the integrated power system, provided the requirements in the SIA are met. Hydro One received a Notification of Conditional Approval of Connection Proposal from the IESO on April 6, 2016.

Customer Impact Assessment (CIA)

Hydro One completed a final Customer Impact Assessment (CIA) Report for the connection of Transmission Facilities on October 16, 2017. In that report, Hydro One advised that the upgrade to the section of circuit H9K from Spruce Falls Junction to Carmichael Falls Junction will not have any impact on area customers.

In its submission, OEB staff stated that it has no concerns with respect to reliability and quality of electricity service.

OEB staff further noted that in keeping with the OEB's general practice, approval of the leave to construct application should be conditional on Hydro One complying with all the requirements of the IESO and Hydro One as outlined in the SIA and CIA, respectively.

Findings

The OEB finds that no concerns were expressed about the SIA and CIA by the IESO and Hydro One, respectively. This OEB Decision and Order is conditional on Hydro One complying with all the requirements outlined in the SIA and CIA.

3.3 Policies of the Government on the Promotion of the Use of Renewable Energy Sources

Atlantic Power raised a specific concern that the KAR Project does not meet the second part of the test for a leave to construct, as set out in section 96(2) of the Act. Atlantic Power submits that the Calstock Generation Facility is a renewable generation resource utilizing renewable biomass and waste heat, which the OEB must take into consideration as per section 96(2) of the Act. It would appear that, in Atlantic Power's view, a project that could negatively impact a renewable generation facility would conflict with the OEB's legislative mandate to promote the use of renewable generation.

On this issue, OEB staff submitted that, when reviewing a section 92 application, section 96(2) requires the OEB to balance the interests of consumers with respect to prices and the reliability and quality of electricity service and, where applicable, the promotion of renewable energy sources in a manner consistent with the policies of the Government of Ontario. OEB staff further noted that no Government of Ontario policy has been put on the record of this proceeding that requires the contracting of biomass facilities. It appears from the record of this proceeding that the IESO has considered whether re-contracting local generation is a viable alternative for meeting needs in the Kapuskasing area, and has concluded that it is not the preferred option.

Hydro One stated in its argument that it has considered each of the letters of comment and it reiterated that the KAR Project is not forcing or mandating the closure

of any generation site in the Kapuskasing area. In Hydro One's view, the IESO's Need Assessment articulates that the KAR Project is required to address capacity and voltage performance needs that emerge due to the expiry of local generation facilities contracts in 2020. Hydro One further stated that it is possible that one or both of Atlantic Power's generation facilities in the area would pass the incremental capacity auction that the IESO is currently designing.[20]

Findings

The OEB finds that extending the contract for Calstock (a biomass facility) may be desirable as a renewable energy source. However, in the OEB's opinion, this does not counterbalance the significant cost differential associated with this option in terms of public interest, particularly given that Calstock will require reconfiguration and/or modifications to meet reliability needs identified by the IESO.

3.4 Forms of Land Agreement

Hydro One anticipates that the KAR Project will be completed entirely within Hydro One's existing corridor. However, in the event that property rights will need to be negotiated, Hydro One also seeks approval for the forms of the agreement offered or to be offered to affected landowners, pursuant to section 97 of the Act.

Hydro One indicated in evidence and argument that a Class Environmental Assessment (EA) was completed for the KAR Project under the *Class EA for Minor Transmission Facilities* and that temporary land rights and water, road and rail crossing permits are required for access during construction and laydown areas. In addition, Hydro One submitted that the Class EA for the KAR Project followed the requisite screening process and was completed in November 2017. Hydro One further stated that land rights and permits are expected to be completed by end of August 2018.[21]

[20] Hydro One's argument-in-chief, dated June 5, 2018; pages 3-4, reply argument, dated June 24, 2018, page 6.
[21] Hydro One's response to OEB staff Interrogatory # 9 (a) and (b).

In its response to OEB staff interrogatories Hydro One confirmed that no temporary access routes or construction staging areas will be located on Indigenous lands.

Findings

The OEB finds the filed forms of agreement to be reasonable in the circumstances of this Application. The OEB notes that no landowner has advised the OEB of issues with the form of agreement offered by Hydro One. The OEB approves the forms of agreements provided by the Hydro One for the purpose of this Application. This approval does not necessarily imply that the OEB would approve similar forms of agreement in any future proceeding.

3.5 Other Approvals

Hydro One indicates the proposed Transmission Facilities will be constructed and operated in accordance with all applicable technical codes and standards. These codes and standards include, but are not limited to, the requirements of the Ontario Electrical Safety Code, the *Occupational Health and Safety Act*, the Transmission System Code and the Market Rules for the Ontario Electricity Market, including those with respect to metering.

3.6 Conditions of Approval

The OEB's mandate under Subsection 23(1) of the Act specifies that the OEB, in making an order, may impose such conditions as it considers proper. The OEB approves the application, subject to the following conditions:

1. The applicant's authorization for leave to construct is subject to the fulfillment of the SIA, CIA and all other necessary approvals, permits, licences and certificates required to construct, operate and maintain the proposed Transmission Facilities.

2. The applicant's authorization for leave to construct shall terminate 12 months from the date of this Decision and Order, unless construction has commenced prior to that date.

3. The applicant will advise the OEB of any proposed material change in the approved Transmission Facilities in respect to the routing, construction schedule, or the necessary environmental approvals, and all other approvals including

permits, licences, certificates and rights required to construct the proposed facilities.

4. The applicant will respond to any enquires from local area governments, businesses, community groups and First Nations regarding the construction of the Transmission Facilities.

3.7 Issues raised in the Letters of Comment

During the course of this proceeding, the OEB received letters of comment from the Municipality of Mattice-Val Côté; the Corporation of the Town of Hearst; the Power Workers' Union; Lecours Lumber Co Limited, a local sawmill on Constance Lake First Nation land, which provides woodwaste to the Calstock Generation Facility; Thunderhouse Forest Services Inc., NORD-ASKI Regional Economic Development Corporation and Hearst Forest Management Inc., which holds the timber licence on the nearby Hearst Forest. These letters of comment purport that there are numerous economic, social and environmental benefits that the Calstock Generation Facility offers to the region. The letters of comment also support the views held by Atlantic Power that the Calstock Generation Facility is a renewable generation resource utilizing renewable biomass and waste heat.

Findings

As articulated in section 1.2 and 1.3 of this Decision and Order, issues related to the impact on local economy, job creation, or other social economic impacts are outside the OEB's jurisdiction. These issues are typically dealt with through the Environmental Assessment (EA) process which does not involve the OEB.

4 IMPLEMENTATION

The OEB finds the application complete and that the proposed Transmission Facilities are in the public interest and therefore grants Hydro One leave to construct pursuant to Section 92 of the Act. The OEB approves the forms of agreements to landowners pursuant to Section 97 of the Act.

The OEB's approval is subject to conditions set out in the Order section of this Decision and Order.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One Networks Inc. is granted leave, pursuant to section 92 of the *Ontario Energy Board Act*, *1998* to upgrade 32 km section of circuit H9K, a 115 kV overhead transmission line, between Carmichael Falls Junction and Spruce Falls Junction to increase the rating to at least 310 A and install a 10 MVar capacitor, as well as a 10 MVar reactor at Kapuskasing TS (the KAR Project).

2. Hydro One Networks Inc. is granted leave pursuant to section 92 of the Act to construct the proposed KAR Project in accordance with the OEB's Decision and Order in this proceeding and subject to fulfillment of the requirements of the SIA and CIA and all other necessary approvals, permits, licences and certificates required to construct, operate and maintain the proposed facilities.

3. Unless otherwise ordered by the OEB, authorization for leave to construct the KAR Project shall terminate 12 months from the date of this Decision and Order, unless construction has commenced prior to that date.

4. Hydro One Networks Inc. shall advise the OEB of any proposed material change in the KAR Project, including but not limited to changes in: the proposed route, construction schedule or the necessary environmental assessment approvals, and all other approvals, permits, licences, certificates and rights required to construct the proposed facilities.

5. Hydro One Networks Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto August 23, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

PROJECT MAP[22]

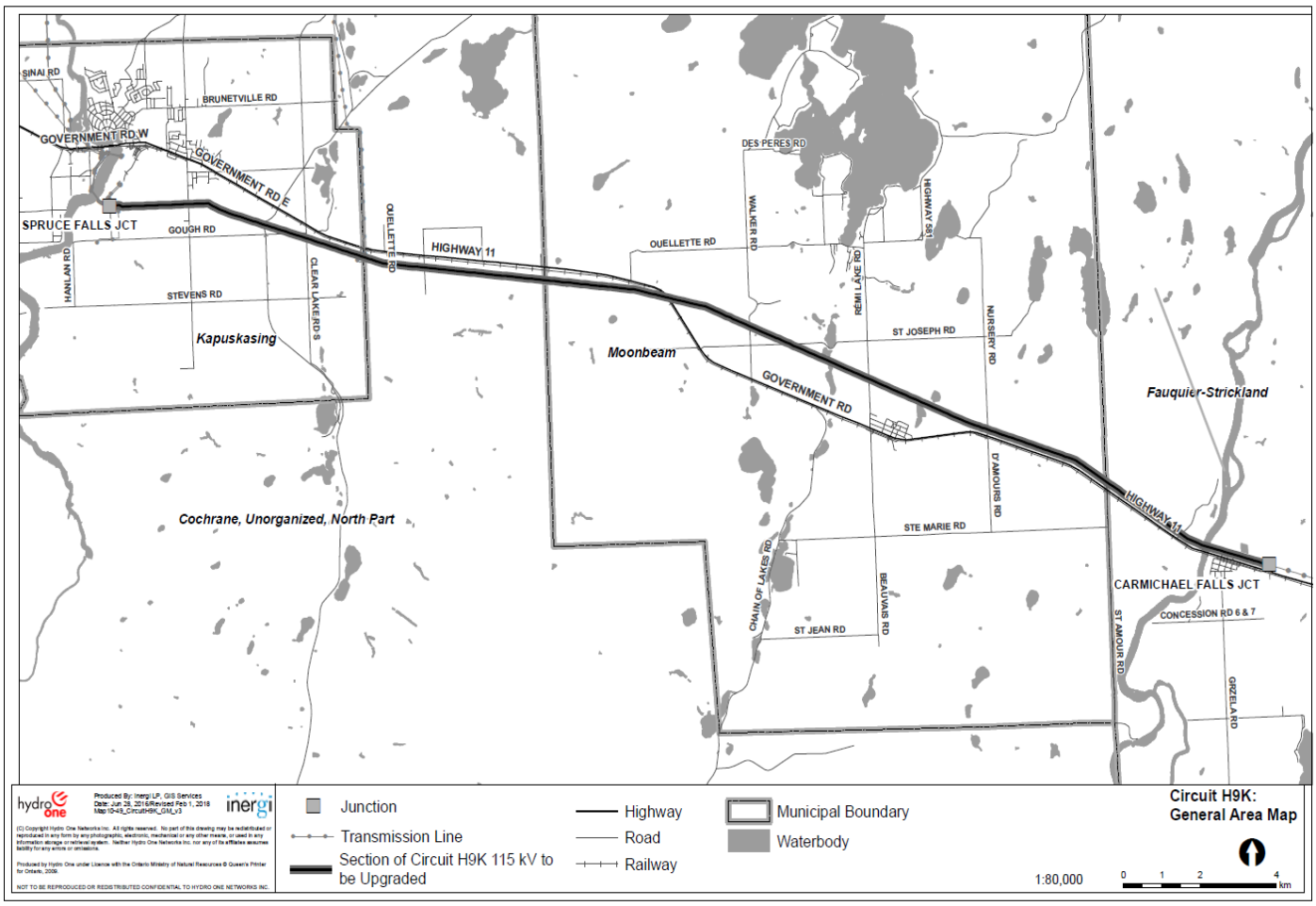
DECISION AND ORDER

HYDRO ONE NETWORKS INC.

EB-2018-0098

August 23, 2018

[22] EB-2018-0098 Hydro One's Evidence Exhibit B, Tab 2, Schedule 1, Attachment 1, page 1


SINAI RD
BRUNETVILLE RD
GOVERNMENT RD W
GOVERNMENT RD E
SPRUCE FALLS JCT
GOUGH RD
HANLAN RD
STEVENS RD
CLEAR LAKE RD S
OUELLETTE RD
HIGHWAY 11
Kapuskasing
Cochrane, Unorganized, North Part
DES PERES RD
WALKER RD
HIGHWAY 801
OUELLETTE RD
REMI LAKE RD
ST JOSEPH RD
NURSERY RD
Moonbeam
GOVERNMENT RD
Fauquier-Strickland
D'AMOURS RD
HIGHWAY 11
STE MARIE RD
CHAIN OF LAKES RD
BEAUVAIS RD
ST JEAN RD
CARMICHAEL FALLS JCT
CONCESSION RD 6 & 7
ST AMOUR RD
GRZELA RD
hydro one
inergi
Produced By: Inergi LP, GIS Services
Date: Jun 28, 2016/Revised Feb 1, 2018
Map:10-49_CircuitH9K_GM_v3
(C) Copyright Hydro One Networks Inc. All rights reserved. No part of this drawing may be redistributed or reproduced in any form by any photographic, electronic, mechanical or any other means, or used in any information storage or retrieval system. Neither Hydro One Networks Inc. nor any of its affiliates assumes liability for any errors or omissions.
Produced by Hydro One under Licence with the Ontario Ministry of Natural Resources © Queen's Printer for Ontario, 2006.
NOT TO BE REPRODUCED OR REDISTRIBUTED CONFIDENTIAL TO HYDRO ONE NETWORKS INC.
Junction
Transmission Line
Section of Circuit H9K 115 kV to be Upgraded
Highway
Road
Railway
Municipal Boundary
Waterbody
Circuit H9K:
General Area Map
1:80,000
0 1 2 4
km