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**BY EMAIL**

March 23, 2021

Ms. Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Long:

**Re: Hydro One Networks Inc.  
Leave to Construct Application – Hawthorne to Merivale Reconductoring  
Project  
OEB Staff Submission  
Ontario Energy Board File Number: EB-2020-0265**

In accordance with Procedural Order No. 4, please find attached the OEB staff submission for the above proceeding. This document has been sent to Hydro One Networks Inc. and to all other registered parties to this proceeding.

Hydro One Networks Inc. is reminded that its reply submission is due by March 30, 2021, should it choose to file one.

Yours truly,

*Original Signed By*

Andrew Bishop  
Project Advisor, Generation & Transmission

Encl.



## **OEB Staff Submission**

### **Leave to Construct Application – Hawthorne to Merivale Reconductoring Project**

**Hydro One Networks Inc.**

**EB-2020-0265**

**March 23, 2021**

# **1 BACKGROUND AND OVERVIEW**

## **1.1 Overview of the Application**

Hydro One applied to the OEB on December 2, 2020 under sections 92 and 97 of the *Ontario Energy Board Act, 1998*, for approval to reconductor existing transmission circuits M30A and M31A between Hawthorne transmission station and Merivale transmission station and perform related transmission station enabling work. If the application is approved, Hydro One will replace the M30A and M31A circuits with dual-bundled conductor.

Hydro One has also applied to the OEB for approval of the form of land use agreements it offers to landowners for the routing and construction of the project.

## **1.2 Process to Date**

Hydro One filed its application on December 2, 2020. The OEB issued a Notice of Hearing on December 18, 2020. The Independent Electricity System Operator, Environmental Defence, Nav Canada, and the Ottawa International Airport Authority applied for, and were granted, intervenor status.

In accordance with Procedural Order No. 1, parties filed interrogatories on or before February 12, 2021 and Hydro One responded to interrogatories on February 26, 2021. On March 9, 2021, Environmental Defence filed intervenor evidence. A Technical Conference that allowed parties to clarify matters arising from the interrogatories related to project Alternatives 3 and 4 and project need was held on March 16, 2021.

## **1.3 Submission Overview**

As further described in Section 3 of this submission, OEB staff submits that the OEB should withhold approval of the proposed project (or at a minimum, the budget for the proposed project) until such time that the need is adequately established and it can be confirmed that the proposed alternative represents an appropriate solution to address the established need. OEB staff recommends that Hydro One explain further in its reply submission (with support from the IESO as required) why the planning analysis is adequate to support this project.

## 2 OEB STAFF SUBMISSION

### 2.1 Price: Need and Alternatives

OEB staff submits that the application, interrogatory responses and IESO testimony provided at the Technical Conference have not demonstrated that the proposed project addresses an identifiable need or that the proposed project would be the appropriate alternative for addressing a need, if it did exist. This project is not being undertaken to replace assets nearing their end of life, as was the situation in two of Hydro One's recently completed transmission projects, specifically, Power Downtown and the D6V/D7V refurbishment.<sup>1,2</sup> Justification for the project is therefore more complex and requires further explanation.

The IESO referenced various drivers for the project in its hand off-letter and interrogatory responses. These include facilitating imports from Quebec, serving West Ottawa needs, facilitating utilization of resources in Eastern Ontario, supporting capacity adequacy beyond 2026 and meeting reliability standards and criteria.

At the Technical Conference, the IESO clarified that imports from Quebec are not a prime driver of the project but, rather, a "nice to have".<sup>3</sup> The IESO also confirmed that the project is not proposed for congestion relief or to meet capacity shortfalls in the province.<sup>4</sup> The IESO stated that there is a need in the West Ottawa area, but in OEB staff's view, the need, and the project's role in addressing it, remain unclear. The IESO referenced some reliability standards when attempting to justify the project but did not show how they drive the need for the project beyond the general assertion that they guide IESO planning. The IESO did not relate the need for the project to any specific criteria or demonstrate which criteria would be violated if the proposed project were not undertaken.

After concluding that a need exists, the IESO determined that a transmission option was the appropriate remedy. Non-wires options were not considered. OEB staff submits that the basis for the IESO's conclusion in this regard was not demonstrated in this proceeding.

Through its testimony at the Technical Conference, the IESO was unable to characterize important dimensions of the stated need, including its frequency and

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<sup>1</sup> EB-2020-0188

<sup>2</sup> EB-2019-0165

<sup>3</sup> Technical Conference Transcript, p. 66

<sup>4</sup> Technical Conference Transcript, p. 102

magnitude. OEB staff is concerned that if the nature of the need cannot be well characterized, it is difficult to identify and assess options to address it.

While there might be a need, and a wires option might be an appropriate way of addressing that need, OEB staff submits that the IESO information included in this application has failed to clearly demonstrate either.

OEB staff does not take issue with Hydro One's analysis of wires options or with Hydro One's recommended option. OEB staff submits that Hydro One's analysis was reasonable given the set of options it focused on (i.e. wires options) and given its role as transmitter. Rather, OEB staff's concern is with the determinations that led Hydro One to move forward with this project – specifically, the determination that a project of this nature was needed and that only wires options would be considered.

Despite its concerns, OEB staff suggests that there are options available to the OEB that avoid denying the project outright. Rather, as further described in Section 3, OEB staff invites Hydro One to explain further in its reply submission (with support from the IESO as required), why the planning analysis is adequate to support the need for this project

## **2.2 Price: Customer Impacts**

OEB staff submits that the evidence provided by Hydro One with respect to budget demonstrates that the cost estimate for the project is reasonable. The estimated capital cost of the project is \$19.7 million, including overheads and capitalized interest but not including removal costs of \$1.6 million. The total project cost, including removal costs, is \$21.3 million.<sup>5</sup> Hydro One does not anticipate that the project will cause incremental operating and maintenance costs since it is replacing existing conductors.

OEB staff also submits that Hydro One's evidence demonstrates that the project will have very small, acceptable impacts on customers. The costs of the project will be recovered through network pool rates. Hydro One stated that no customer contributions will be required because the line is a network pool asset that ultimately provides benefit to all provincial ratepayers.

It is estimated that the project will increase the network connection pool revenue requirement by 0.26% over a 25-year period, from the currently approved rate of \$3.92/kW/month to \$3.93/kW/month. Hydro One estimated the project will increase the typical monthly residential customer bill by \$0.02 or 0.01%.

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<sup>5</sup> Only the \$19.7 million in capital expenditures will be added to rate base.

## **2.3 Land Matters**

OEB staff has reviewed the proposed forms of agreements and has no issues or concerns with Hydro One's proposed forms of land agreements, including the Transfer and Grant of Easement agreement, which has not been previously approved by the OEB. Hydro One confirmed that all impacted landowners have the option to receive independent legal advice regarding the land agreements, and that it would commit to reimbursing those landowners for reasonably incurred legal fees associated with the review and completion of the necessary land rights. Both the Temporary Land Rights and Damage Claim agreements were approved by the OEB through previous proceedings.

Hydro One stated the project will rely primarily on Hydro One's existing land rights, although there will be new land rights and/or permitting required related to one municipally owned property and water/rail crossings. Hydro One expects that no early access agreements will be required.

## **2.4 Reliability and Quality of Service**

OEB staff does not have any concerns about the reliability and quality of service associated with the project, considering the conclusions of the IESO's System Impact Assessment (SIA) and Hydro One's Customer Impact Assessment (CIA).

The IESO's Final SIA concludes that the project is expected to have no material adverse impact on the reliability of the integrated power system.

Hydro One's Final CIA concludes that the project will not have any adverse effects on the transmission-connected customers.

## **2.5 Conditions of Approval**

The OEB Act permits the OEB, when making an order, to impose such conditions as it considers proper. Should the OEB grant Hydro One's application, OEB staff proposes that leave to construct be subject to the conditions identified in OEB staff interrogatory 13. The proposed conditions have been approved by the OEB in prior leave to construct proceedings, and Hydro One has taken no issue with them in this proceeding.

## **3 CONCLUSION**

OEB staff invites Hydro One to explain further in its reply submission (with support from the IESO as required), why the planning analysis is adequate to support the need for this project.

In the event that the OEB, following receipt of Hydro One's reply submission, is not satisfied that the planning analysis is adequate or is of the view that further testing may be warranted, OEB staff suggests that there are other options available to the OEB that avoid rejecting the application outright. As outlined previously, provided that the project is needed and that only wires solutions should be considered, OEB staff is satisfied with the work Hydro One has performed with respect to the alternatives analysis. OEB staff also has no concerns with respect to the cost estimate for the work (assuming that the project is, in fact, needed) or the forms of landowner agreements. OEB staff therefore suggests that the OEB consider the following two options:

1. Approve the project but not the project budget, which would be subject to OEB review in the future.

Under this option, leave to construct would be granted without a determination that the Applicant has proven the need or economic justification for the Project. As a result, the leave would not represent a finding that the costs of the Project may be recovered from ratepayers. Hydro One would have to demonstrate this when seeking to recover those costs through a future rate proceeding.

This approach was previously used by the OEB in its decision on Hydro One's leave to construct application for new 230kV transmission facilities in the Niagara Region.<sup>6</sup>

2. Hold the application in abeyance until further notice, pending the filing and examination of further evidence justifying project need, reliability benefits and the appropriateness of the proposed alternative.

Under this option, leave would not be granted, but Hydro One would not have to file a new application if it did wish to return with enhanced planning justification. If Hydro One did wish to return with further planning evidence, the timing for filing of that further evidence would be determined by Hydro One. OEB staff recommends that the OEB allow Hydro One the time it needs to develop and/or commission the necessary evidence. In its application, Hydro One has requested that a decision be issued by May 15, 2021 in order for the project to meet its planned in-service date of December 2023. OEB staff submits that Hydro One is best positioned to coordinate the timing and filing of any additional evidence with its target in-service date or any alternative in-service date that may be feasible.

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<sup>6</sup> EB-2004-0476

The OEB has previously placed proceedings in abeyance pending additional information. For example, in its decision on Hydro One's application for approval to purchase Orillia Power Distribution Corporation, the OEB placed the consolidation application in abeyance until it ruled on the Hydro One distribution rate application.<sup>7</sup>

While both options are feasible and have been used previously by the OEB, OEB staff suggests that the second option is less ambiguous. Further, complications may arise if a decision on need and economic justification is deferred to a future OEB Panel after the project is constructed. That said, if Hydro One feels there is flexibility in the in-service date to meet the identified need, then either option may be compatible. OEB staff invites Hydro One to comment on which option it prefers in the event the OEB is not inclined to grant a full leave to construct approval at this time.

All of which is respectfully submitted.

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<sup>7</sup> EB-2016-0276