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June 25, 2021

Delivered by Email

Ms. Christine Long, Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: PUC (Transmission) LP – Application for Electricity Transmission Licence
EB-2021-0088
Response to Request for Information**

We are counsel to PUC (Transmission) LP (“PUC Transmission” or the “Applicant”).

On February 17, 2021, PUC Transmission filed an application with the Ontario Energy Board (“OEB”) pursuant to Section 60 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) for an Electricity Transmission Licence under Section 57(b) of the OEB Act (the “Application”).

PUC Transmission received an e-mail from OEB Staff on June 9, 2021 requesting additional information in relation to the Application.

We are of the view that the nature of questions number 1, 3, and 4 of OEB Staff’s questions relate to the need and prudence of the proposed transmission facilities relating to the Application, which are not relevant considerations for a transmission licence application.

As supported by prior OEB decisions on transmission licence applications, the OEB had always considered the applicant’s financial position, technical capability and conduct to assess its ability to own and operate a transmission facility in Ontario, for example, in its Decision and Order dated September 12, 2019 for Niagara Reinforcement Limited Partnership’s application for electricity transmission licence (EB-2018-0277). Need and prudence were not relevant considerations of that decision.

The more appropriate forum to address need and prudence of a particular transmission project would be a subsequent leave-to-construct application.

If the OEB's decision on whether or not to award the electricity transmission licence to an applicant were based on project specific details, then it would demonstrate a systematic preference for incumbent transmitters at the expense of new entrants.

Having said that, please find the Applicant's responses enclosed herewith.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:



John A. D. Vellone
/Encl.

**PUC (TRANSMISSION) LP
BY ITS GENERAL PARTNER
PUC (TRANSMISSION) GP INC.**

EB-2021-0088

RESPONSE TO REQUEST FOR INFORMATION FROM ONTARIO ENERGY BOARD STAFF

DATED: JUNE 25, 2021

Staff-1

Question:

On April 1, the IESO issued Integrated Regional Resource Plan (IRRP) for East Lake Superior (ELS) Region where the IESO stated that specific transmission needs in Sault Ste. Marie area will be studied and addressed in the IESO's Bulk Planning study commencing in 2021.

Please explain why PUC (Transmission) LP filed its application before the study has concluded and before the IESO identified any specific needs for transmission expansion. Has PUCT discussed its plan with IESO and has there been any feedback?

Response:

PUC (Transmission) LP ("PUCT") is aware of both the IRRP and the Bulk Planning study processes. PUCT's affiliates, PUC Distribution and PUC Services, are actively involved in the IRRP process and PUC Services has provided information to the IESO in support of its Bulk Planning study.

However, the PUCT project is to meet particular local needs within the boundaries of Sault Ste. Marie and is not a supplement to the broader regional planning needs that are being identified in the IRRP. It is specifically to address local line and transformation capacity issues within Sault Ste. Marie.

Significant increase in industrial loads within Sault Ste. Marie has been identified either publicly or in private well before the IRRP was announced, starting in 2019. These new loads are driven by specific identifiable industrial customers that have an incremental need, i.e. approximately 600 MW of new industrial load that is beyond current transmission capacity within Sault Ste. Marie, and can only be served by new 230 kV transmission assets. These industrial customers do not wish to be identified publicly at this stage.

PUCT has been formed as a community based, municipally owned initiative (together with Axiom Infrastructure Canada II Limited Partnership ("AIC II LP"), represented by Axiom Infrastructure Inc., acting on behalf of Axiom Canada II Partner Inc., the general partner of AIC II LP (collectively "Axiom") with percentage of ownership to be determined) to provide the local 230 kV facilities that are necessary to supply the substantial new loads anticipated over the next 5 to 10 years.

PUCT has discussed its plans with the IESO and has provided information to the Bulk Planning group. PUCT is also in the process of filing an SIA with the IESO for its initial build of local 230 kV lines and station to supply Algoma Steel's new load of 300 MW that is required by end of 2024 and that of other local industrial customers.

Staff-2

Question:

Has PUCT notified the neighboring transmitter of PUCT's intention to build a new transmission line?

Response:

PUCT has been and is in discussions with Hydro One Networks Inc.

Staff-3

Question:

In developing its proposal has PUCT undertaken a cost-benefit analysis of building new transmission facilities as opposed to expanding existing transmission facilities in the area.

- a. If yes, please provide a cost comparison demonstrating a cost benefit of building a new line.
- b. If not, please explain how it was determined that the new transmission line would promote economic efficiency.

Response:

PUCT is in the process of performing a cost-benefit analysis of building new transmission facilities, which will be completed and available prior to a subsequent Leave-to-Construct application before the Ontario Energy Board.

Staff-4

Question:

Has PUCT considered non-transmission alternatives to address potential load growth in the area?

Response:

Yes. PUCT has considered and is, in fact, proposing to the IESO a non-wires solution to address a risk of a shortfall of generation availability in the Sault Ste. Marie area.

PUCT's proposal for a battery energy storage solution has been sent to the IESO for consideration as part of its Bulk Planning study. PUCT's proposal would support the more timely addition of new industrial loads in the area.

This proposal is currently before the IESO Bulk Planning group for consideration.

Additional considerations of alternatives will be addressed as part of the prudence assessment in a subsequent leave to construct application.

Staff-5

Question:

Did PUC consider developing and operating the transmission assets as deemed distribution and including them in PUC Distribution's assets?

Response:

Yes, PUC Distribution considered developing and operating the transmission assets as deemed distribution and including them in PUC Distribution's rate base but ultimately rejected this idea.

The current legal structure is necessary to facilitate the proposed financing plan. The financial support of the proposed project by Axium is contingent upon Axium obtaining an ownership interest in PUCT.

The City of Sault Ste. Marie is not currently interested in selling an interest in PUC Distribution.

In addition, putting the transmission assets into the rate base of PUC Distribution would mean that only ratepayers within the City of Sault Ste. Marie would fund 100% of those assets.

By contrast, customers of the vast majority of every other distribution utility in Ontario benefit from transmission assets that are funded through the provincial rate pool and the OEB's uniform transmission rates. In this way, including these assets in distribution rates would be unfairly prejudicial to distribution ratepayers in Sault Ste. Marie.

Staff-6

Question:

PUCT has identified Axiom Infrastructure Canada II Limited Partnership (Axiom) as the company that has agreed in principle to finance up to 100% of the equity portion of the project. PUCT also stated that it is anticipated that Axiom or a newly-formed subsidiary of Axiom will become an affiliate of PUCT.

Considering that Axiom is expected to hold 100% interest in the transmission facilities, please explain how this arrangement would impact the ownership structure of PUCT. Will this financing arrangement result in a transfer of ownership?

Response:

While Axiom is willing to finance up to 100% of the equity portion of the project, PUC Inc. will be making material contributions in the form of services from PUC Services as well as access to local rights of way for the new line to be built. In addition, PUC Inc. may also fund a portion of the equity requirements for the project.

Subsequent to the financing, the parties currently anticipate that Axiom would own approximately 80% of PUCT while PUC Inc. owns the remainder.

It is anticipated that this financing would occur prior to construction, at a point in time where PUCT does not yet own or operate a transmission system in Ontario.