

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5393
Cell: (416) 902-4326
Fax: (416) 345-6833
Joanne.Richardson@HydroOne.com



Joanne Richardson

Director – Major Projects and Partnerships
Regulatory Affairs

BY EMAIL AND RESS

November 17, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

EB-2021-0107 – Hydro One Networks Inc. Leave to Construct Application – Ansonville TS and Kirkland Lake TS A8K/A9K Refurbishment Project – Reply Submission

In accordance with Procedural Order No. 1, please find enclosed Hydro One Networks Inc.'s reply submission for this Leave to Construct Application.

An electronic copy of this reply submission has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in dark ink, appearing to be "Joanne Richardson", written in a cursive style.

Joanne Richardson

cc. EB-2021-0107 Intervenors (Electronic only)

REPLY ARGUMENT OF HYDRO ONE NETWORKS INC.

EB-2021-0107

1. Hydro One Networks Inc.'s ("**Hydro One's**") Application to proceed with the proposed A8K A9K Project that will upgrade approximately 180 circuit km of 115 kV circuits between Ansonville Transmission Station ("**TS**") and Kirkland Lake TS ("**the Project**") should be approved as filed with the standard conditions of approval because it is in the public interest. Hydro One submits that the Project meets the needs of the transmission system and improves quality of service and reliability with minimal impact on price.
2. The Project has been, and continues to be, recommended by the Independent Electricity System Operator ("**the IESO**") to maintain reliability in the area and to enable system benefits by allowing local generation to operate in a more cost-effective manner¹. The IESO has articulated that the ratepayer benefit of proceeding with the Project as proposed is expected to significantly exceed the cost of the incremental investment relative to a sustainment solution as has been described in the prefiled evidence².
3. The Project is supported by the submissions of all intervenors of record in this proceeding including Ontario Energy Board ("**OEB**") Staff, Environmental Defence and Pollution Probe. Given the general support for the Project, this Reply Argument will be limited to addressing (i) OEB Staff comments on need and alternatives which Hydro One considers to be more generic in scope or nature; and (ii) Pollution Probe submissions that Hydro One considers to be out of scope or dismissed by evidence on the record.

¹ Exhibit B, Tab 3, Schedule 1, Attachment 1

² Exhibit B, Tab 3, Schedule 1, Attachment 1 and 2 and Exhibit B, Tab 6, Schedule 1, Attachment 1

OEB Staff – Generic Proceeding Matters Regarding Need and Alternatives

4. In their submissions on the need and alternatives considered for the Project, OEB Staff submitted that:

“...in future instances where the IESO rejects potentially significant alternatives that may have provided more benefits to ratepayers, it would be especially helpful for the applicant or the IESO to provide such explanations for its conclusions in the prefilled [sic] evidence and, as applicable, in interrogatory responses ”³.

These OEB Staff submissions are predicated on interrogatory responses provided by the IESO that noted that the IESO did not consider higher incremental cost alternatives that would have exceeded the reliability need identified for the area in order to maximize net benefit overall for ratepayers⁴. The IESO clarified that pursuing these options would have been outside the scope and timing of the sustainment project⁵.

5. Hydro One submits that the submissions of OEB Staff on this specific matter are inconsistent with section 4.3.2.4 of Chapter 4 of the OEB Filing Requirements for Electricity Transmission Applications (“**OEB Chapter 4 Filing Requirements**”) and would be more appropriately addressed in a generic review of the OEB Chapter 4 Filing Requirements.

6. Notably, section 4.3.2.4 of the OEB Chapter 4 Filing Requirements outlines that:

The Board will either approve or not approve the proposed project (i.e. the preferred option). It will not choose a project from among significant alternative options. **The applicant must present to the Board alternatives which meet the same objectives that the preferred option meets (emphasis added)**⁶.

7. Broader regional upgrade alternatives discussed in Exhibit I, Tab 1, Schedule 3 do not meet the same objectives as the preferred alternative. As outlined in Exhibit B, Tab 2, Schedule 1, the Project objective is primarily to refurbish all deteriorated line sections

³ OEB Staff Submissions, p.5

⁴ Exhibit I, Tab 1, Schedule 3

⁵ Supplemental Information to Exhibit I, Tab 1, Schedule 3, November 10, 2021

⁶ OEB Filing Requirements for Electricity Transmission Application – Chapter 4, July 31, 204 – p. 9

1 of circuits A8K and A9K tested to be at end-of-life condition and increase each circuit's
2 Long Term Emergency operating rating to 550A, as requested by the IESO. The Project
3 is predominantly categorized and classified as a non-discretionary sustainment project
4 for these reasons, as outlined in Exhibit B, Tab 4, Schedule 1.

- 5
- 6 8. As outlined by the IESO, any broader regional upgrade alternative would be a longer-
7 term investment than the preferred alternative when considering the broad scope of the
8 plan as well as the lead time to develop and construct new circuits and would not meet
9 the imminent sustainment need of the AxK circuits. Thus the *potentially significant*
10 *alternatives* referenced by OEB Staff would not meet the same objectives that the
11 preferred option meets and were therefore not included in the alternatives provided for
12 in the leave to construct application prefiled evidence, consistent with the
13 aforementioned OEB Chapter 4 Filing Requirements.

14

15 *Pollution Probe Submissions*

- 16
- 17 9. Pollution Probe submit that they support the Project's ability to provide clean
18 electricity. However, Pollution Probe opines that there are specific gaps and issues
19 identified in their submission that illustrate that the Project is "not in alignment with
20 *current* regulatory and policy direction"⁷ (*emphasis added*). Pollution Probe's
21 identified gaps and issues can be categorized into three general submissions: (i)
22 Environmental Assessment ("EA") submissions (ii) Planning and Options
23 submissions; and (iii) Demand Forecast submissions. Pollution Probe seeks OEB
24 direction to ensure that these gaps are addressed for future projects that will require
25 OEB review and approval. Hydro One disagrees with the need for the sought OEB
26 direction and replies that the direction on the issues and gaps brought forward by
27 Pollution Probe are already provided through jurisprudence, the OEB Chapter 4 Filing
28 Requirements and current amendments to the *OEB Act, 1998*. Additionally, Hydro One
29 submits that Pollution Probe submissions seem to have ignored or misconstrued the
30 record of this proceeding, and thus Hydro One will attempt to clarify any
31 misrepresentations or inaccurate statements in this Reply Argument.

⁷ Pollution Probe Submissions, p. 2

Pollution Probe EA Submissions

10. With respect to EA matters, Pollution Probe submitted that OEB approval of the Project should be conditional on Hydro One adhering to the environmental and socio-economic mitigation recommendations included in the project Environmental Study Report. Pollution Probe also submitted that based on the evidence in this proceeding, there is no way to validate that the mitigation costs are reasonable or in alignment with the environmental and socio-economic mitigation measures recommended in the Draft Environmental Study Report. Additionally, Pollution Probe submitted that approval of the project as requested could be interpreted to mean that the OEB supports the draft mitigation measures proposed⁸.

11. On the matter of conditional approval, OEB direction is not required. As provided in response to Pollution Probe's interrogatory request 6, leave to construct approval and the Environmental Assessment are issued by two distinct regulators. The standard conditions of approval issued by the OEB on a leave to construct application ensure that all other approvals necessary to construct, maintain and operate the Project are obtained. Hydro One has no concerns with an approval that is conditional on the standard conditions of approval. This was confirmed by Hydro One in Exhibit I, Tab 1, Schedule 22.

12. Hydro One has provided evidence that the overall cost estimate for the Project is consistent with the American Association of Cost Engineering (AACE) standards and was characterized by an AACE Class 3 (+30%/-20%) estimate⁹. On the issue of project costs and estimating, Hydro One is in complete agreement with the submissions of OEB Staff. Notably, OEB Staff submitted that "Hydro One described a reasonable basis for its project cost estimate and that it followed a reasonable process for assessing project risks and developing a contingency estimate"¹⁰ and "that Hydro One has demonstrated that the cost of the Project is consistent with the cost to complete comparable line projects in northern Ontario"¹¹. Consequently, though marginal deviations in an explicit project activity budget such as environmental and socio-economic mitigation measures may occur given the pending status of the EA, if the estimated environmental and socio-economic mitigation cost for the Project

⁸ Pollution Probe Submissions, pp. 2-3

⁹ Exhibit B, Tab 5, Schedule 1

¹⁰ OEB Staff Submission, p. 6

¹¹ Ibid

1 significantly exceeds the approximately \$1M budget for this project activity such that
2 there is a corresponding material deviation to the overall project capital cost estimate
3 of \$70M provided at Exhibit B, Tab 7, Schedule 1, then Hydro One will notify the OEB
4 as directed by the standard conditions of approval. Notifying the OEB of material
5 changes to a project is, again, a standard condition in any leave to construct approval¹².
6 Furthermore, the final cost of the Project that will be included in Hydro One's rate base
7 will be decided in a future revenue requirement application. Given the aforementioned,
8 OEB direction on this matter is unnecessary.

9
10 13. Finally, with respect to how the Ministry of Environment, Conservation and Parks or
11 anyone else may interpret environmental and socio-economic mitigation measures as a
12 result of a leave to construct approval issued by the OEB, those matters should have no
13 bearing on the OEB issuing a leave to construct approval for the Project. As articulated
14 in the OEB Chapter 4 Filing Requirements, duty to consult issues have arisen in
15 multiple leave to construct applications in the past, with significant findings regarding
16 the OEB's role respecting the duty to consult being made in a leave to construct
17 application made by Yellow Falls Power Limited Partnership to connect a 16 megawatt
18 ("MW") run-of-the river waterpower project located at Yellow Falls to the transmission
19 system¹³.

20
21 14. In that proceeding, the OEB Filing Requirements summarizes that:

22
23 "The Board held that the restriction imposed by s. 96(2) of the Act limited
24 its review to a consideration of price, reliability, the quality of electrical
25 service, and the promotion, where applicable, of the Government of
26 Ontario's issued renewable energy policies. The Board was clear that its
27 decision did not mean that no duty to consult existed in this case. It found,
28 rather, that the Board had no authority to consider these issues. The Board
29 pointed to the Environmental Assessment process as a suitable forum for
30 the hearing of duty to consult issues¹⁴."

31
32 15. This OEB decision has since been reiterated in multiple leave to construct applications
33 and is clearly articulated in the OEB Chapter 4 Filing Requirements as extracted above.
34 This, in concert with the fact that the OEB's authority flows from publicly available
35 legislation that clearly outlines what the OEB can consider in a leave to construct

¹² Exhibit I, Tab 1, Schedule 22

¹³ EB-2009-0120

¹⁴ OEB Chapter 4 Filing Requirements, p. 27

1 application, leads Hydro One to submit that further direction from the OEB on this
2 issue or any other EA-specific gaps and issues brought forward by Pollution Probe in
3 this proceeding is needless.

4
5 *Pollution Probe Planning and Options Submission*
6

7 16. With respect to Planning and Options considerations, Pollution Probe submits that the
8 assessment leading to the proposed project does not adequately consider or address
9 non-wires alternatives. Hydro One disagrees.

10
11 17. Consideration of non-wires alternatives was adequately addressed and documented in
12 Exhibit I, Tab 3, Schedule 3 in response to a Pollution Probe interrogatory request on
13 the matter. For ease of reference, the response articulates that:

14
15 “...the IESO has studied the asset replacement strategy for circuits
16 A8K/A9K as part of their planned end-of-life. Both alternatives considered
17 as part of the end-of-life for circuits A8K/A9K require additional local
18 generation support in order to reliably supply the forecasted demand in the
19 area. In both cases, the IESO considered non-wires alternatives to provide
20 this support through output from the existing Northland Power natural-gas-
21 fired generation complex until its contract expiry in 2030, and replacement
22 gas-fired generation in 2031 and beyond, which is one of the lowest cost
23 options available. Note that other non-wires alternatives were ruled out
24 given their comparative cost and the magnitude and estimated duration of
25 the local generation support required to ensure reliability.”
26

27 18. Pollution Probe may not agree with the results of the assessment, but submissions that
28 the Project does not adequately consider or address non-wires alternatives are not
29 merited in fact. Furthermore, in an effort to ensure that there is clarity for future leave
30 to construct applications, Hydro One notes that the *current* version of the OEB Act has
31 further limited the scope of the OEB with respect to leave to construct applications.
32 Notably, Hydro One highlights that the *promotion of the use of renewable energy*
33 *resources, where applicable and consistent with the policies of the government of*
34 *Ontario* is not a consideration of the Board when assessing the public interest under
35 section 96 of the OEB Act. This consideration was repealed from the OEB Act in June
36 of 2021. Consequently, Hydro One’s submissions are that unless non-wires alternatives
37 can provide greater reliability, quality of service or are more cost-effective alternatives,
38 all of which was rejected by the IESO in the reference above, consideration and
39 deliberation on these matters is outside the scope of a leave to construct application and

1 further direction on this superfluous information is unnecessary. Hydro One also
2 submits that if the OEB wishes to generically explore the extent to which non-wires
3 alternatives should continue to be considered in the context of leave to construct
4 proceedings, it would be more appropriate for that matter to be considered in any
5 subsequent review of the OEB Chapter 4 Filing Requirements, rather than in this
6 Application.

7
8 *Pollution Probe Demand Forecast Submission*
9

10 19. Pollution Probe's demand forecast submissions state that the IESO did not adequately
11 consider future needs beyond the imminent sustainment end-of-life replacement
12 strategy and that given that the proposed assets would be in service for decades and
13 likely close to a century (based on the current infrastructure age), it is important that
14 they be designed to meet those future needs¹⁵.

15
16 20. Hydro One disagrees that the IESO did not consider the future needs of the system in
17 rendering their recommendation to proceed with A8K A9K Project. To clarify roles
18 and responsibilities, the core of the IESO's mandate is a requirement to plan, operate
19 and maintain the reliability of Ontario's electricity system, ranging from minute-to-
20 minute operations to long-term system planning¹⁶. As described in the supplemental
21 information filed for Exhibit I, Tab 1, Schedule 3, the IESO considered alternative
22 options such as replacing circuits A8K/A9K with a higher-rated transmission line than
23 the Upgrade Option, along with broader regional reinforcements upstream and
24 downstream of those circuits, could potentially deliver greater value to rate payers, but
25 they are not feasible within the end-of-life replacement timeframe. Such options could
26 take longer to plan and implement (when considering the broad scope of the plan as
27 well as the lead time to develop and construct new circuits) and, therefore, do not meet
28 the urgent nature of the sustainment need. Thus, as described in evidence and reiterated
29 above in response to OEB Staff submissions, though future needs were considered, the
30 Project objective is primarily to refurbish all deteriorated line sections of circuits A8K
31 and A9K tested to be at end of life condition, and increase each circuit's Long Term
32 Emergency operating rating to 550A, as requested by the IESO. The submissions of
33 Pollution Probe ignore that there is an imminent sustainment need driven by *the*
34 *condition of the current infrastructure* that needs to be addressed. The evidence before

¹⁵ Pollution Probe Submissions, pp. 4-5

¹⁶ IESO Strategic Plan 2016 – 2020 - www.ieso.ca/-/media/files/ieso/document-library/.../ieso-strategic-plan_2016-2020.pdf - Page 8

1 the OEB in this proceeding to support this position is clear: the Project is predominantly
2 categorized and classified as a *non-discretionary sustainment project* as provided for
3 in Exhibit B, Tab 4, Schedule 1. Additionally, as articulated in the supplemental
4 information provided for Exhibit I, Tab 1, Schedule 3, proceeding with the Project does
5 not preclude additional investments to maximize ratepayer value in the future.

6
7 21. In summary, Hydro One submits that it is clear, based on the record of this proceeding,
8 including the corroborative evidence of the IESO, that the most efficient way to address
9 the needs in this area is through the A8K A9K Project. The A8K A9K Project is in the
10 public interest, and the Application should be approved as filed with the standard leave
11 to construct conditions. Hydro One requests that OEB approval of this Application be
12 rendered by year-end to maintain the Project Schedule provided at Exhibit B, Tab 11,
13 Schedule 1.