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BY EMAIL

May 2, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: PUC (Transmission) LP (PUC Transmission) and Hydro One Sault Ste. Marie (HOSSM)
Leave to Construct Application – PUC Tx Project and HOSSM Station Project
Ontario Energy Board (OEB) Staff Interrogatories
OEB File Number: EB-2023-0360**

In accordance with Procedural Order No. 1, please find attached the OEB staff interrogatories for the above proceeding. This document has been sent to PUC Transmission and HOSSM and to all other registered parties to this proceeding.

PUC Transmission and HOSSM are reminded that their responses to interrogatories are due by May 16, 2024. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Yours truly,

Katherine Wang
Senior Advisor, Generation & Transmission
Encl.

**OEB Staff Interrogatories
PUC (Transmission) LP and Hydro One Sault Ste. Marie
EB-2023-0360**

Interrogatories for PUC Transmission

Staff-1

Ref: Exhibit B, Tab 1, Schedule 1, page 4
Exhibit B, Tab 2, Schedule 1, page 3

Preamble:

In addition to meeting the needs of Algoma Steel Inc. (Algoma Steel), the application states the following: “The Project will also support PUC Distribution’s infrastructure renewal, connect new generators, and supply additional load customers that are currently being planned for the area.”

The second reference states: “Connection to PUC Transmission’s new station at 230 kV will allow for PUC Distribution to eliminate one of its two 115 kV stations, and to reconstruct the other.”

Question(s):

- a) Please clarify how many “new generators” have indicated to PUC Transmission that they plan to connect and the related supply capacity (MW).
- b) Please clarify how many new “additional load customers” (i.e., beyond Algoma Steel) have indicated to PUC Transmission that they plan to connect and the amount of capacity (MW) they will require to meet their planned energy needs.
- c) Please comment on the cost savings that may be achieved by the elimination of one of PUC Distribution’s noted 115 kV stations.

Staff-2

Ref: Exhibit B, Tab 2, Schedule 1, page 1

As part of the application, PUC Transmission notes that “Each 230 kV circuit will utilize a single 954 MCM ACSR conductor per phase at this time.”

Question(s):

- a) Please provide an analysis of conductor size alternatives in accordance with section 4.3.2.5 of OEB Filing Requirements for Electricity Transmission Leave to

Construct and Related Matters (Chapter 4 Filing Requirements).¹ If PUC Transmission is of the view that this analysis is not needed for the decision on conductor size, please explain why.

Staff-3

Ref: Exhibit B, Tab 3, Schedule 1, pages 2-4

Preamble:

PUC Transmission states in the application that construction of Algoma Steel's new electric arc furnaces (EAFs) is currently well under way, and the anticipated completion of construction is scheduled for mid-2024. The application also states that the planned development of Algoma Steel's EAF project, with respect to energy use, encompasses three distinct stages. The description of the three stages is provided in the application.

Question(s):

- a) Please indicate which stage (or sub-stage) is Algoma Steel's EAF project currently at.
- b) What is Algoma Steel's current project schedule with respect to the three stages?
- c) Please illustrate the relationship between the proposed project schedule for PUC Tx Project (and HOSSM Station Project) and the schedule and progress for the Algoma Steel's EAF project.

Staff-4

Ref: Exhibit B, Tab 3, Schedule 1, page 1

Preamble:

PUC Transmission states that its proposed facilities will provide the increased transmission supply capacity and improve system reliability required to meet the increasing short-term and long-term power demands of the significant load growth forecasted for development within Sault Ste. Marie.

Question(s):

- a) Please provide five years of historical demand information for Sault Ste. Marie.

¹ [Filing Requirements for Electricity Transmission Applications Chapter 4 Leave to Construct and Related Matters under Part VI of the Ontario Energy Board Act](#), dated March 16, 2023

- b) Please provide demand forecast information consistent with the forecast used in the relevant planning assessment that recommended the project.

Staff-5

Ref: Exhibit B, Tab 3, Schedule 1
Exhibit H, Tab 1, Schedule 1
IESO's Annual Planning Outlook (March 2024), page 44
Chapter 4 Filing Requirements, section 4.3.2.3

Preamble:

The Chapter 4 Filing Requirements requires the applicants to provide evidence to the OEB that identifies the recommended and planned transmission and non-wire projects in any regional plans and/or IESO bulk plans that have linkages and/or interdependencies to the applied-for transmission project. This evidence is to be in the form of a document prepared by the IESO.

IESO's latest Annual Planning Outlook lists a number of planned bulk transmission projects specific to the Sault Ste. Marie region (page 44- Northeastern Ontario Bulk Transmission System Reinforcements).

Question(s):

- a) Please discuss the relationship between the proposed transmission Project and any regional plans and/or IESO bulk plans and provide the evidence noted in the Preamble.

Specifically, please comment on the relationship between the proposed transmission Project and the planned transmission initiatives noted in IESO's Annual Planning Outlook for the Sault Ste. Marie region.

- b) In Exhibit H, Tab 1, Schedule 1, PUC Transmission notes the following:

It is noted that moving the Tarentours TS load to the Tagona West TS would avoid the need to add a third autotransformer at the Third Line TS, which would address the Sault No. 3 Need. The ELS Working Group is working towards issuing an addendum to the 2021 East Lake Superior Integrated Regional Resource Plan (IRRP) which considers PUC Distribution's planned station replacements.

What is the status of the above noted addendum to the 2021 East Lake Superior IRRP? Please provide this addendum if it is available.

- c) Please discuss whether or not the need of the proposed Project (PUC Tx Project and HOSSM Station Project) relates to meeting reliability standards or other

obligations specified by any regulatory organizations. If yes, please provide detail and describe how the Project will help address the standards or obligations.

Staff-6

Ref: Exhibit B, Tab 6, Schedule 1, pages 1-3

Preamble:

The application states: "The Project costs are formulated by combining actual costs incurred to date, and an estimate of remaining development and construction costs to the projected in-service date. Forecasts are based on vendor quotes and estimated construction costs for similar work derived from past experience of the consultants."

The above reference states that the total estimated cost of work for the entire Project is \$231.98 million.

Further, it is also stated that the cost estimates are based on:

- Pre-purchase of long lead equipment under competitive bidding process; and
- Allowance for a competitive-bid selection of a Construction Contract to carry out procurement of the balance of equipment and materials, and to carry out the construction of line and station in accordance with pre-defined detailed engineering.

Question(s):

- a) Please provide a breakdown of the actual costs incurred to date.
- b) Please provide all the vendor quotes received as part of the cost estimation process.
- c) Please provide additional details on the competitive bidding process for the long lead equipment. How many vendors participated in the bidding process? What is the value of the contract related to the long lead equipment?
- d) What is the expected magnitude of the Construction Contract as a percentage of the total Project cost?

Staff-7

Ref: Exhibit B, Tab 6, Schedule 1, Table 3, page10

Preamble:

Costs associated with network assets are typically socialized (i.e., recovered from all Ontario ratepayers). Table 3 in the application identifies two types of network assets where the costs have been allocated to Algoma Steel:

(1) Two 115 kV breakers that connect the 115 kV circuits that will supply power to Algoma Steel's EAF facility (\$10.3M); and

(2) One reactive power device required to protect other customers connected to the IESO grid from being negatively impacted by excessive voltage variations from the operations of Algoma's new EAF facility (\$45M).

PUC Transmission notes the treatment associated with those network assets is consistent with the guidance provided in the [OEB Bulletin \(September 2022\)](#) that clarifies the circumstances under which transmitters should allocate costs associated with a network facility upgrade to a specific generator or load customer; i.e., where they form the minimum connection requirements.

That OEB Bulletin provided a list of the common examples where network assets form the minimum connection requirements. The application appears to indicate that PUC Transmission focused on those examples. The Bulletin also notes:

"For other potential scenarios that may arise as the transmission system evolves, OEB staff is of the view that transmitters should be guided by the following: the connecting customer should be required to pay for the investment in the network facility where they are the sole or primary beneficiary and/or the investment is required to mitigate other customers being negatively impacted (e.g., reduced reliability) as a result of the connecting customer's new or modified connection to the transmission system."

Question(s):

- a) Please identify if any other network assets related to the project were considered as potential assets that form the minimum connection requirements discussed in the OEB Bulletin, but PUC Transmission ultimately decided not to allocate the cost to Algoma Steel.
- b) If other assets were considered, please identify those assets and the related cost. Please also explain why PUC Transmission decided not to allocate any costs to Algoma Steel in relation to those assets.
- c) If no other network assets were considered, please confirm Algoma Steel will not be the sole or primary beneficiary associated with any other network asset investment(s).

Staff-8

Ref: Exhibit B, Tab 6, Schedule 1, Table 1, page 1
Exhibit B, Tab 6, Schedule 1, Table 3, page 10

Preamble:

Table 1 of the application sets out the “Estimated Cost of Work” and states “PUC Transmission Only” in brackets in the title of the table. Table 3 in the same section of the application identifies the “Minimum Connection Facilities Required to Connect Algoma Steel”.

Question(s):

- a) Please clarify whether the \$55.4M allocated to Algoma Steel (in Table 3) based on the guidance in the OEB staff Bulletin is included in the total estimated cost of work of \$188.87M (in Table 1).

Staff-9

Ref: Exhibit B, Tab 7, Schedule 1

Preamble:

In Exhibit B, Tab 7, Schedule 1, PUC Transmission identified four key risks and associated potential impact on the proposed project.

Question(s):

- a) Please discuss the options that PUC Transmission employed or plans to employ to mitigate the key risks.

Staff-10

Ref: Exhibit B, Tab 8, Schedule 1
Exhibit B, Tab 8, Schedule 1 Table 1, Table 2, Table 3, Table 4

Preamble:

In Exhibit B Tab 8 Schedule 1, it's stated that PUC Transmission has applied the annual Input Price Index (IPI) inflation adjustment factors listed in the manner set out in Table 2 (IPI factors in accordance with the year of the underlying data that the indices were calculated from) to account for the two-year lag in IPI rates when determining the inflation adjustments applied to the comparative projects that are listed in Table 3 and Table 4.

Question(s):

- a) Please provide the detailed calculations for the escalated project costs of the three comparable projects as presented in Table 3 in Exhibit B, Tab 8, Schedule 1 (in amount of \$10.71M, \$18.89M and \$10.90M).
- b) Please provide the detailed calculations for the escalated project costs of the three comparable projects as presented in Table 4 in Exhibit B, Tab 8, Schedule 1 (in amount of \$8,922k, \$12,070k, \$12,522k and \$12,347k).
- c) For the three comparable line construction projects, please update the “Escalation Adjustment”, “Escalated Project Costs” and “Cost per km” rows in Table 3 in Exhibit B, Tab 8, Schedule 1 with the IPI inflation factors listed in the manner set out in Table 1 (OEB IPI inflation factors without adjustment for two-year lag). Please provide the calculations.
- d) For the four comparable station construction projects, please update the “Escalation Adjustment”, “Escalated Total Comparable Costs” and “Cost per kVA” rows of Table 4 in Exhibit B, Tab 8, Schedule 1 with the IPI inflation factors listed in the manner set out in Table 1 (OEB IPI inflation factors without adjustment for two-year lag). Please provide the calculations.
- e) Please indicate whether the methodology of adjusting the OEB IPI inflation factors for two-year lag in calculating the escalated costs of comparable projects has been used in any previous OEB-approved leave to construct applications. If yes, please provide the related reference. If no, please explain why this method is reasonable in the cost of comparable projects analysis in this application.

Staff-11

Ref: Exhibit B, Tab 8, Schedule 1, page 7

Preamble:

On page 7 of Exhibit B Tab 8 Schedule 1, PUC Transmission states the following:

The proposed Tagona West TS is similar to the cited comparable stations, with respect to number of transformers. However, the Tagona West TS will have a substantially higher maximum transformation capacity than any of the comparable station projects. With 2 autotransformers rated at 200 MVA each, the station will have a maximum total rating of 400 MVA. The comparatives are either 250 MVA or 166 MVA total station rating. Therefore, the appropriate cost comparison parameter should be the cost per MVA of station capacity, rather than the total station cost. In the interest of simplifying the presentation, cost per kVA is the preferred reference.

Question(s):

- a) Can PUC Transmission find other comparable transformer station(s) with similar transformation capacity for the comparison? If yes, please add the similar transformer station(s) into the analysis and update Table 4. If PUC Transmission cannot find another comparable transformer station with similar transformation capacity, please explain why.

Staff-12

Ref: Exhibit B, Tab 8, Schedule 1, pages 7-8
Exhibit B, Tab 8, Schedule 1, Table 4

Preamble:

PUC Transmission included four types of adjustments to account for non-comparable items in the analysis of comparable station construction projects.

Question(s):

- a) PUC Transmission included reductions of feeders for each comparative to reduce the number of feeders to two in each case and assigned the cost of \$482k for each feeder. Please explain how PUC Transmission determined the cost for each feeder in amount of \$482k. What is the date/year associated with this estimate? Please discuss why this is a reasonable estimated cost for each feeder for the four comparable projects considering each project's in-service date.
- b) PUC Transmission made reductions of capacitor bank costs for each of the four comparable projects and assigned the cost of \$1.3M for each capacitor bank. Please explain how PUC Transmission determined the cost for each capacitor bank in amount of \$1.3M. What is the date/year associated with this estimate? Please discuss why this is a reasonable estimated cost for each feeder for the four comparable projects considering each project's in-service date. How many capacitor banks are included in the proposed Tagona West TS?
- c) PUC Transmission removed real estate cost only from the Tagona West TS in the comparison. Please confirm that there was no real estate cost component in any of the four comparable projects. Please provide related reference.

Staff-13

Ref: Exhibit B, Tab 9, Schedule 1, pages 1-4

Preamble:

In relation to the “Economic Evaluation – Minimum Connection Facilities”, PUC Transmission explains that, based on Algoma Steel’s credit rating of B-, a 10-year revenue horizon was used (based on a “medium high risk” classification), as well as the OEB’s approved network service rate in the 2024 preliminary Uniform Transmission Rate (UTR). Based on the total connection costs of \$55.4 million for the Minimum Connection Facilities, the economic evaluation indicates a net present value (NPV) of \$41.07 million. PUC Transmission notes no capital contribution will therefore be required from Algoma Steel. The supporting table in the application provides inputs.

Question(s):

- a) Please provide a simple table that shows the total estimates rate revenues and the total cost to show how the NPV was determined.
- b) The OEB issued the most recent UTR Decision and Rate Order on January 18, 2024.² Please provide the results of the economic evaluation based on the updated Network Service Rate.

Staff-14

Ref: Exhibit B, Tab 9, Schedule 1, pages 5-7
Exhibit B, Tab 9, Schedule 1, page 6, Table 2

Preamble:

In relation to the “Network Pool Rate Impact” and “Impact on Typical Residential Customer”, PUC Transmission notes that it has applied the OEB approved 2024 preliminary UTRs.

Question(s):

- a) Please update the analysis for Network Pool Rate Impact and Impact on Typical Residential Customer with the most recent UTRs and discuss the results.
- b) What is the discount rate used in Table 2 of Exhibit B, Tab 9, Schedule 1? How was the discount rate derived?

Staff-15

Ref: Exhibit C, Tab 4, Schedule 1, page 4

² EB-2023-0222

Preamble:

The reference above notes that the cost of the HOSSM Station Project's common elements will be included in rate pools consistent with the evidence provided by PUC Transmission.

Question(s):

- a) Please confirm what elements of the Project are expected to be included in PUC Transmission's rate base (e.g., portions of Third Line TS costs, transmission line costs and/or Tagona West TS).
- b) Please confirm when PUC Transmission expects to file its first rate application related to the Project.

Staff-16

Ref: Exhibit E, Tab 3, Schedule 1

Preamble:

In the above noted reference, PUC Transmission notes the status of the existing/new easements acquisition and land purchase.

Paragraph 2 of the above noted reference states:

Negotiations with PUC Distribution Inc. aimed at acquiring the existing easements have not yet occurred. Negotiations with property owners for new land rights were initiated in early November 2023. Each property owner has been or will be provided with a copy of the appraisal report for information. PUC Transmission will negotiate a mutually acceptable and reasonable fee for the proposed acquisition which will be documented and confirmed by the associated agreements noted below.

Question(s):

- a) Please provide an update on the status of negotiations with PUC Distribution Inc. with respect to acquiring the existing easements from PUC Distribution Inc..
- b) Please provide an up-to-date summary of all land and rights acquisitions processes, including their current status, any contentious issues and the proposed approach to resolution.
- c) Please confirm that all impacted landowners will have the option to receive independent legal advice regarding the proposed agreements.

- d) Please clarify whether PUC Transmission has committed to or will commit to reimbursing landowners for reasonably incurred legal fees associated with the review and completion of the necessary land rights agreements.
- e) How does PUC Transmission advise affected property owners of the availability of independent legal advice (ILA) and that PUC Transmission will reimburse landowners for the expense of obtaining ILA? Is this information communicated to property owners orally or in writing? If the latter, please provide a copy of the document.

Staff-17

Ref1: Chapter 4 Filing Requirements, section 4.3.5.3 Land-related Forms

Ref2: Exhibit E, Tab 4, Schedule 1, Attachments 1 and 2

Preamble:

Reference 1 (Chapter 4 Filing Requirements) states:

The applicant should confirm if the forms of agreements are consistent with any similar agreements approved by the OEB in previous LTC decisions. If so, the case number of the Decision and Order in which they were approved must be referenced. In the instance in which two or more parties file a joint application, clarity must be provided as to which party, or parties, is/are requesting approval of the forms of agreements.

Reference 2 above contains the land right agreements that PUC Transmission proposes to use to obtain the new land rights for the PUC Tx Project.

Question(s):

- a) Please confirm whether the forms of agreements in Attachment 1 and Attachment 2 are consistent with any similar agreements approved by the OEB in previous leave to construct decisions. If yes, please provide the details of the reference with the OEB case number of the Decision and Order in which forms of agreements were approved. Please also advise whether there are any substantive differences between the previously approved forms and the forms that PUC Transmission has included in this application for approval.

Interrogatories for HOSSM

Staff-18

Ref: Exhibit C Tab 4 Schedule 1, pages 13-15

Exhibit C Tab 4 Schedule 1 Table 2
Chapter 4 Filing Requirements, section 4.3.2.8

Preamble:

Exhibit C Tab 4 Schedule 1 states that HOSSM has provided two comparable projects for the Third Line TS work, 1) the Orangeville TS Refurbishment Project and, 2) the Martindale TS T21, T23 & Component Replacement, both constructed by Hydro One. HOSSM notes that the inflation adjustment factors used for comparator projects are consistent with the inflation parameters described in Exhibit B, Tab 8, Schedule 1, Table 2 of this application.

Question(s):

- a) Section 4.3.2.8 of Chapter 4 Filing Requirements requires the applicant to provide the cost of three most recent comparable projects. HOSSM has provided two comparable projects in this application. Please provide another comparable project for the analysis and expand Table 2 of Exhibit C, Tab 4, Schedule 1 accordingly. Otherwise, please explain why a third comparable project cannot be provided.
- b) Please provide the detailed calculations for the Escalation Adjustment of the two comparable projects as presented in Table 2 of Exhibit C, Tab 4, Schedule 1 (in amount of \$30,096k and \$40,379k).
- c) For the two comparable line construction projects, please update the “Escalation Adjustment” and “Total Comparable Project Costs” rows in Table 2 of Exhibit C, Tab 4, Schedule 1 with the IPI inflation factors listed in the manner set out in Table 1 of Exhibit B, Tab 8, Schedule 1 (OEB IPI inflation factors without adjustment for two-year lag). Please provide the calculations.

Staff-19

Ref: Exhibit C, Tab 4, Schedule 1, pages 12-13

Preamble:

In Exhibit C, Tab 4, Schedule 1, HOSSM identified four key risks and associated potential impact on the proposed project.

Question(s):

- a) Please discuss the options that HOSSM employed or plans to employ to mitigate the key risks.

Staff-20

Ref: Exhibit C, Tab 4, Schedule 1, pages 11-18
Exhibit C, Tab 4, Schedule 1, Table 4

Preamble:

Question(s):

- a) Please discuss how the total HOSSM Station Project cost of \$73.4M as well as the cost of each of the four individual cost elements (\$17.4M, \$19.2M, \$18.2M and \$18.6M) were estimated.
- b) Please discuss how the allocation percentages associated with three common elements for each project component (#1, #2 and #3) were determined. Why were the common costs equally split among/between all beneficiaries?

Staff-21

Ref: Exhibit C, Tab 4, Schedule 1, pages 18-20

Preamble:

The application states that Algoma Steel requested that new load associated with its EAF be supplied by HOSSM until PUC Transmission's proposed 230 kV line is completed. The application also notes Algoma Steel's EAF (and Lake Superior Power CGS) are connected to HOSSM's system at Clergue TS and discusses the need for HOSSM to perform work on two Remedial Action Schemes (RAS) and additional work at Clergue TS.

It further notes that HOSSM is seeking an exemption from section 11.2.1 of the Transmission System Code (TSC) which would require Algoma Steel to pay bypass compensation in relation to 30 MW of the new load associated with its new EAF that will be served by HOSSM until PUC Transmission's proposed project is completed. HOSSM states that it currently expects to serve Algoma Steel's 30 MW for three years which is when Algoma Steel is expected to change the connection point from HOSSM's Clergue TS to PUC Transmission's Tagona West TS.

Question(s):

- a) Please provide a table that separately lists each RAS and the other work to be done at Clergue TS. Include the estimated cost for each in the list and identify the portion of the cost that will be allocated to Algoma Steel in the table.

- b) Please explain the two RAS and the work to be done at Clergue TS in more detail. Please also clarify if the work at the Clergue TS and the two RAS are solely attributable to serving the 30 MW of new load.
- c) The application indicates that Algoma Steel is already connected to HOSSM's Clergue TS and the 30 MW is incremental load that would be served by HOSSM. If that is a correct understanding, please clarify Algoma Steel's existing load at Clergue TS.
- d) Please clarify if the sole reason for the request for the exemption from the bypass compensation requirement in section 11.2.1 of the TSC is related to Clergue TS not being a permanent solution to meet Algoma Steel's needs. If it is not the sole reason, please elaborate.
- e) If completion of PUC Transmission's Tagona West TS is materially delayed beyond three years, is HOSSM requesting the exemption remain in place regardless of how long it takes until Algoma Steel is able to connect its EAF to Tagona West TS and shift the 30 MW of load from HOSSM's Clergue TS?
- f) If any investments are solely related to serving the 30 MW of new load, please identify them and clarify what purpose those assets will serve after Algoma Steel connects to PUC Transmission to supply that load.
- g) Please clarify if 30 MW is the total amount of remaining Available Capacity on Clergue TS at this time.
- h) Please confirm there is a total of 45 MW of new load associated with Algoma Steel that will connect to HOSSM's transmission system, and 15 MW will remain on HOSSM's system at Patrick Street TS.
- i) The application states the costs initially incurred for Phase 1 (which includes the 30 MW at Clergue TS) will continue to be recuperated via the CCRA between HOSSM and Algoma Steel in relation to the new load at Patrick Street TS. Please clarify what costs will continue to be recuperated including whether any relate to Clergue TS.
- j) Based on the expected three-year timeframe, please provide the estimated rate revenues HOSSM expects to receive in relation to the 30 MW of new load.

Staff-22

Ref1: Exhibit C, Tab 4, Schedule 1, page 2

Ref2: Exhibit C, Tab 4, Schedule 1, pages 20-22

Preamble:

Reference 1 states that “HOSSM is seeking OEB approval of a Regulatory Account for the station scope of work that facilitate Project Component #3, the New Transmission Line Project. The new regulatory account will consist of two sub-accounts”.

Reference 2 states that

- The first sub-account will be called the “Priority Transmission Line Project – Station Costs” (or “PTLPDA-Costs”) and will track capital costs associated with the New Transmission Line Project, as part of the HOSSM Station Project, prior to being placed in rate base.
- PTLDA-Costs - If the New Transmission Line Project is completed and in serviced i.e., included in a transmitter’s rate base, then the regulatory account will not record any balances and there will be no need for any disposition of the sub-account in the future.
- The second sub-account will be called the “Priority Transmission Line Project – Station Revenue Requirement” (or “PTLPDA-Revenue”), which will record any post-in-service Revenue Requirement attributable to the New Transmission Line Project’s facilities that have not been included in an OEB approved transmission rate filing.
- PTLDA-Revenue - if at the time of in-service, the OEB has not approved a transmission rate filing that includes those costs. HOSSM will record the revenue requirement earned as part of the HOSSM Station Project (which includes scope for Component #3), in a sub-account up until such time they can be included in a future OEB-approved transmission revenue requirement application.

Question(s)

- a) In HOSSM’s view, what is the difference between a deferral account and a tracking account?
- b) In HOSSM’s view, is there a difference in the manner and timing of disposition between the deferral sub-account and the tracking sub-account?
- c) Please confirm whether Hydro One can use its internal tracking account to achieve the same objectives of these two sub-accounts. If confirmed, please provide HOSSM’s thought of withdrawing the request of the DVA. If not confirmed, please explain what can be achieved using the DVA that could not otherwise be achieved using the internal tracking account(s).
- d) Please explain HOSSM’s current approach to tracking costs to date for the New Transmission Line Project.

- a. What are the pros and cons of establishing and using the PTLPDA-Costs Account compared to this approach?
- e) Please explain HOSSM's approach to tracking the revenues of the New Transmission Line Project if the requested approval for both subaccounts are not approved in this proceeding.
- f) Please provide any precedent for the requested deferral account that HOSSM is aware of. Please provide the EB # and references to the related evidence.

Staff-23

Ref: Exhibit C, Tab 4, Schedule 1, Appendix A

Preamble:

Reference states that “This two new regulatory 1508 sub-accounts will be named and function as following

- *Priority Transmission Line Project – Station Costs – Account*
This sub-account will track HOSSM-incurred costs related to the New Transmission Line Project. This account will be a contra-account that will have identical and offsetting entries, and as such no net debit or credit balances will exist while HOSSM Management continue to believe the New Transmission Line Project will be completed. This ‘tracking’ sub-account allows for tracking and reporting of capital attributable to the New Transmission Line Project.
- *Priority Transmission Line Project – Station Revenue Requirement – Account*
This sub-account will record the annual revenue requirement attributable to the level of in-service New Transmission Line Project costs incurred by HOSSM. It will exist until a time when HOSSM receives OEB approval to include those assets into the rate base on which a future HOSSM revenue requirement is set.

The proposed accounting entries are as following:

1. The contra-account entries will facilitate the tracking of capital costs incurred and allocated to the New Transmission Line Project

DR 1508 Other Regulatory Assets, Sub-Account “PTLPDA – Station Costs - Account”

CR 1508 Other Regulatory Assets, Sub-Account “PTLPDA – Station Costs - Account”

2. Should the New Transmission Line Project not proceed, for reasons beyond HOSSM management's control, the entry below records the removal of capital costs from HOSSM's Construction Work in Progress ("CWIP") Account and become balances in the PTLPDA – Station Costs – Account

DR 1508 Other Regulatory Assets, Sub-Account "PTLPDA – Station Costs - Account"

CR 1508 Construction Work in Progress

Question(s)

- a) Please explain how HOSSM uses the contra-account entry (entry #1 above) to facilitate the tracking of capital costs incurred and allocated to the new Transmission Line Project, considering that both the debit and credit of the entry are recorded in the same account.
- b) For entry #2, please clarify what Account 1508 Construction Work in Progress is and if HOSSM has obtained the approval of this account. If so, please provide the EB # where the OEB had approved this account.
- c) For entry #2, please explain how HOSSM uses the entry to record the removal of capital costs from HOSSM's CWIP, considering that the account number for both the debit and credit sides of that entry are the same.
- d) Please explain what HOSSM means by "Should the New Transmission Line Project not proceed, for reasons beyond HOSSM management's control". Please provide the reasons that are outside of HOSSM's control.

Staff-24

Ref: Chapter 4 Filing Requirements, Section 4.3.6

Preamble:

The above reference requires all applicants to provide evidence to the OEB that connection of the proposed transmission project will not affect the reliability of the IESO-controlled grid. This takes form of a System Impact Assessment (SIA) conducted by the IESO as a part of the IESO Connection Assessment and Approval process.

Question(s):

- a) Is there an IESO SIA report completed for the HOSSM Station Project? If yes, please provide this report. If no, please explain why the SIA report is not needed for the HOSM Station Project in this leave to construct application.

Interrogatories for PUC Transmission and HOSSM

Staff-25

Ref: Decision on Issues List, EB-2023-0360, issued April 16, 2024

Preamble:

In this application, PUC Transmission and HOSSM have applied for leave to construct approvals. The reference above includes the OEB's standard conditions of approval for transmission leave to construct applications. OEB staff proposes that the standard conditions be placed on PUC Transmission and HOSSM in relation to this application. The standard conditions are reproduced below for convenience:

1. PUC Transmission and HOSSM shall fulfill any requirements of the SIA and the CIA, and shall obtain all necessary approvals, permits, licences, certificates, agreements and rights required to construct, operate and maintain the project.
2. Unless otherwise ordered by the OEB, authorization for leave to construct shall terminate 12 months from the date of the Decision and Order, unless construction has commenced prior to that date.
3. PUC Transmission and HOSSM shall advise the OEB of any proposed material change in the project, including but not limited to changes in: the proposed route, construction schedule, necessary environmental assessment approvals, and all other approvals, permits, licences, certificates and rights required to construct the project.
4. PUC Transmission and HOSSM shall submit to the OEB written confirmation of the completion of the project construction. This written confirmation shall be provided within one month of the completion of construction.
5. PUC Transmission and HOSSM shall designate one of their employees as project manager who will be the point of contact for these conditions, and shall provide the employee's name and contact information to the OEB and to all affected landowners, and shall clearly post the project manager's contact information in a prominent place at the construction site.

Question(s):

- a) Please comment on the above standard conditions in relation to this application. If PUC Transmission and/or HOSSM do/does not agree with any of the draft conditions of approval, please identify the specific conditions that PUC Transmission and/or HOSSM disagree(s) with and explain why. For conditions in

respect of which PUC Transmission and/or HOSSM would like to recommend changes, please provide the proposed changes.