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**File No. 14898.13**

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**BY EMAIL & RESS**  
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Ms. Nancy Marconi  
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”) Application for Leave to Construct and Related Matters  
 (“Application”)  
 Ontario Energy Board (“OEB”) File No. EB-2023-0360  
 Reply Submission**

In accordance with Procedural Order No. 3 issued by the OEB on May 24, 2024, please find enclosed the reply submission of PUC Transmission and HOSSM.

Yours truly,

**BORDEN LADNER GERVAIS LLP**

A handwritten signature in black ink that reads 'Colm Boyle'. The signature is written in a cursive, flowing style.

Colm Boyle

CB/JV

**ONTARIO ENERGY BOARD**

**PUC (TRANSMISSION) LP  
HYDRO ONE SAULT STE. MARIE**

**REPLY SUBMISSION**

**Filed: July 5, 2024**

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1    **1.    Introduction**

2    On January 2, 2024 PUC (Transmission) LP (“**PUC Transmission**”) and Hydro One Sault Ste.  
3    Marie LP (“**HOSSM**”, and together with PUC Transmission the “**Applicants**”) applied to the  
4    Ontario Energy Board (“**OEB**”) under sections 74, 78, 92 and 97 of the *Ontario Energy Board*  
5    *Act*, 1998, S.O. 1998, c. 15, (Schedule B) (the “**Act**”) for various approvals to build high-voltage  
6    transmission facilities in Sault Ste. Marie. The application was subsequently revised on January  
7    26, 2024 (“**Application**”).

8    On March 28, 2024, the OEB granted Batchewana First Nation (“**BFN**”) and Essar Power Canada  
9    Limited intervenor status in the Application.

10   On June 7, 2024, HOSSM and PUC Transmission filed their Argument in Chief in respect of the  
11   Application. Any terms not defined herein shall have the same meaning as ascribed in the  
12   Argument in Chief.

13   On June 24, 2024, only OEB Staff filed a submission on the Application.

14   Given OEB Staff’s endorsement on a majority of the issues for the PUC Project and HOSSM  
15   Station Project,<sup>1</sup> The Applicants’ comments included in this Reply Submission pertain to the  
16   following areas of the OEB-established Standard Issues List for leave to construct applications,  
17   namely; (i) Project Need and Alternatives, (ii) Project Cost, and (iii) Other matters; specifically  
18   (a) regulatory sub-accounts; and (b) by-pass exemption to the Transmission System Code section  
19   11.2.1 (b).

20   As is typical, the Applicants’ submissions and positions on any particular issue in this Application  
21   are without prejudice to the rights of the Parties to raise the same issue and/or to take any position  
22   thereon in any other proceeding. The Parties submissions and positions are specific to the unique  
23   facts contained in the Application.

24   **2.    Project Need and Alternatives (Issues 1.0 and 2.0)**

25        **2.1    PUC Project (PUC Submission)**

26   OEB Staff submits the evidence demonstrates the need for the PUC Project, has the potential  
27   benefit of avoiding system renewal of PUC Distribution’s Tarentorus TS and may allow future  
28   BFN projects to make use of the PUC Project. OEB Staff took no issue with PUC Transmission’s:  
29   (a) conclusion that the alternatives and non-wire options considered are not viable solutions for  
30   the PUC Project; (b) proposed route for the 230 kV line and station location for Tagona West TS;  
31   and (c) selection of the 954 MCM ACSR conductor.<sup>2</sup> PUC Transmission agrees with OEB Staff’s  
32   conclusions.

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<sup>1</sup> OEB Staff Submission Pgs. 2-3.

<sup>2</sup> OEB Staff Submission Pg. 8.

1           **2.2    HOSSM Station Project (HOSSM Submission)**

2    OEB Staff took no issue, “with respect to HOSSM’s proposal to carry out the station scope work  
3    for the Refurbishment Component,<sup>3</sup> and the New Transmission Line Project Component<sup>4</sup> in  
4    parallel with the Line Connection Component”,<sup>5</sup> and submitted that, “the proposed approach  
5    appears to be more cost-effective than doing each component separately.”<sup>6</sup> The new Transmission  
6    Line Project (Component #3) is being undertaken pursuant to a government-issued Order in  
7    Council<sup>7</sup> directing Hydro One Networks Inc. (“**HONI**”) to develop and seek approval for three  
8    new transmission lines including a 230 kV transmission line project from Mississagi TS to Third  
9    Line TS (i.e. the line known as the “**New Transmission Line Project**”). OEB Staff further noted  
10   that HONI has not submitted a leave construct application for the New Transmission Line Project,  
11   however OEB Staff submitted that based on the evidence filed, “the proposed parallel execution  
12   strategy is reasonable, optimizing resource utilization and minimizing redundancies, thereby likely  
13   resulting in overall project efficiencies.”<sup>8</sup>

14   The need for the HOSSM Station Project’s Line Connection Component (also described as  
15   Component #1) is driven by the need to connect the PUC Project. HOSSM provided detailed  
16   information regarding this need in the Application.<sup>9</sup> Based on the scope of work requested by PUC  
17   Transmission, HOSSM confirms there are no other alternatives to connect the PUC Project in the  
18   area.<sup>10</sup>

19   HOSSM’s evidence underlines that undertaking the three project components in parallel “will  
20   result in a more efficient and cost-effective process that also maintains work crew safety”.<sup>11</sup>

21   **3.    Project Cost (Issue 3.0)**

22   OEB Staff submitted it “does not oppose the estimated costs for the proposed PUC Transmission  
23   Project and HOSSM Station Project”<sup>12</sup> and that the “evidence provided by the Applicants  
24   demonstrates that the cost estimates are reasonable.”<sup>13</sup>

25   The Applicants agree with OEB Staff. The Applicants submit that the cost for the PUC Project  
26   and HOSSM Station Project, inclusive of all three Project Components, are appropriate and

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<sup>3</sup> Also described as Component #2 of the HOSSM Station Project

<sup>4</sup> Also described as Component #3 of the HOSSM Station Project

<sup>5</sup> OEB Staff Submission Pg. 9.

<sup>6</sup> Ibid.

<sup>7</sup> Exhibit C, Tab 4, Schedule 1, Appendix B

<sup>8</sup> OEB Staff Submission Pg. 9.

<sup>9</sup> Exhibit C, Tab 4, Schedule 1.

<sup>10</sup> Argument in Chief, Pg 10.

<sup>11</sup> Exhibit C, Tab 4, Schedule 1, Pg.2.

<sup>12</sup> OEB Staff Submission Pg. 14.

<sup>13</sup> Ibid.

1 reasonable given the scope, need, location and economic climate transmitters are currently  
2 experiencing, and should be approved as filed.

3 **3.1 PUC Project (PUC Submission)**

4 OEB Staff notes that adjusting the OEB Input Price Index (“**IPI**”) for the two-year time lag in  
5 calculating the escalation adjustment for comparable projects is not usually applied in a leave to  
6 construct application. OEB Staff proposes a second scenario where non-adjusted OEB IPI results  
7 in no changes to the overall status and ranking of each proposed line/station project’s cost.<sup>14</sup>

8 PUC Transmission disagrees with the OEB Staff’s non-adjusted IPI approach. Adjusting the OEB  
9 IPI for the two-year time lag aligns the indexing of costs to when inflation would have in fact  
10 occurred. This approach provides for the most accurate comparison of historical costs for  
11 comparable projects with the PUC Project costs. For example, PUC Transmission submits it is  
12 improper to index costs in 2022 with an inflation rate from 2020.

13 Despite the disagreement on approach, PUC Transmission agrees with OEB Staff that the proposed  
14 line and station projects are within the mid-range of the comparable projects.<sup>15</sup>

15 **3.2 HOSSM Station Project (HOSSM Submission)**

16 **Allocation of Network Investment Costs to Algoma Steel**

17 HOSSM is undertaking the Line Connection (Component #1) scope of the HOSSM Station Project  
18 as a result of PUC Transmission’s request for connection of its new transmission line.

19 HOSSM’s submission in this specific application is that it is seeking “the same cost allocation  
20 treatment for the Third Line TS station connection component, as that which the Board deems  
21 appropriate for the PUC Project”.<sup>16</sup>

22 **New Regulatory Sub-accounts**

23 In this Application HOSSM requested approval to establish two new regulatory sub-accounts  
24 under Account 1508 – Other Regulatory Assets: 1) the “Priority Transmission Line Project –  
25 Station Costs” (“**PTLPDA-Costs**”) and 2) the “Priority Transmission Line Project – Station  
26 Revenue Requirement” (“**PTLPDA-Revenue**”).<sup>17</sup> The proposed effective date for both sub-  
27 accounts is December 22, 2023, the date on which this application was filed with the OEB.

28 The first sub-account will afford HOSSM protection from the non-recovery of prudent capital  
29 costs, allocated to the government Order in Council (“**OIC**”) priority project, being a new

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<sup>14</sup> OEB Staff Submission Pg. 14.

<sup>15</sup> OEB Staff Submission Pg. 14.

<sup>16</sup> Argument in Chief Pg. 6.

<sup>17</sup> Exhibit C, Tab 4, Schedule 1, pages 20-21.

1 transmission line in north-eastern Ontario which is included in HONI's transmission license with  
2 the expectation that HONI develop and seek approvals to construct that Project. The second sub-  
3 account will record any revenue requirement attributable to HOSSM Station Costs for Component  
4 #3, (which relate to the connection of the new HONI priority-project transmission line) once the  
5 station connection is made and the facilities are in-serviced. This sub-account, mirroring the  
6 criteria in the OEB-approved HONI Externally Driven Work Account,<sup>18</sup> would record the revenue  
7 requirement if the priority-project's station costs have not been included in an OEB-approved  
8 HOSSM rate filing.

9 HOSSM's application for both sub-accounts provided evidence consistent with that required by  
10 the OEB Chapter 2 Filing Requirements for Electricity Transmission Applications, regarding the  
11 three criteria for meeting the threshold test for approval of new deferral and variance accounts.<sup>19</sup>

12 OEB Staff's submission included support for HOSSM's request to establish the PTLPDA-Costs  
13 Account to track capital costs associated with the New Transmission Line Project, as part of the  
14 HOSSM Station Project, prior to being placed in rate base, stating that it has met the OEB's criteria  
15 of Causation, Materiality and Prudence. OEB Staff made certain minor clarifying suggestions  
16 regarding HOSSM's Drafting Accounting Order ("DAO") and asked that it be updated to  
17 incorporate those observations. HOSSM's DAO has been updated and is provided in this Reply  
18 Argument as Appendix A.

19 However, OEB Staff stated in their Submission they do not support the establishment, at this time,  
20 of the PTLPDA-Revenue sub-account that would record any post-in-service revenue requirement  
21 attributable to the New Transmission Line Project's facilities. OEB Staff postulated that in their  
22 view "it is premature to approve an account to record revenue requirement at this time given that  
23 there will be opportunities to incorporate the revenue requirement in HOSSM's first rate  
24 application."<sup>20</sup> HOSSM takes no issue with this position and is indifferent to this sub-account being  
25 approved by the OEB in this proceeding, or in a future HOSSM rate file proceeding – one that will  
26 include the year in which HONI's new transmission line is expected to be placed in service.

#### 27 **4. Other (Issue 8.0)**

##### 28 ***4.1 HOSSM Station Project (HOSSM Submission)***

29 OEB Staff supported HOSSM's request for an exemption from section 11.2.1 of the Transmission  
30 System Code (TSC) for by-pass compensation, based on the following rationale:

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<sup>18</sup> EB-2021-0110; Exhibits G, Tab 2, Schedule 1, Pgs 16-20, and Interrogatory G-Staff-304, and Settlement Proposal Issue 11.0 for Transmission Pgs. 89 and 94.

<sup>19</sup> Filing Requirements for Electricity Transmission Applications - Chapter 2 (oeb.ca), Pgs. 34-35.

<sup>20</sup> OEB Staff Submission Pg. 21.

1 (1) It is intended to be a temporary (i.e., interim) solution to meet Algoma Steel's  
2 supply needs and it is being done so Algoma Steel can expand and decarbonize its  
3 operations immediately; and

4 (2) According to HOSSM, the investments being made to connect Algoma Steel  
5 are also needed to address broader system needs related to meeting NERC  
6 standards. As such, once Algoma Steel shifts its load from HOSSM to PUC  
7 Transmission, the HOSSM investments made to accommodate Algoma Steel's  
8 supply needs will not become stranded assets.<sup>21</sup>

9 OEB Staff recommended the breadth of the exemption be narrowed, by limiting the exemption to  
10 subsection 11.2.1(b) of the TSC, suggesting that if an exemption from subsection 11.2.1(a) was  
11 also granted it would expand the exemption to include, for example, HOSSM's Patrick Street TS<sup>22</sup>.

12 HOSSM takes no issue with OEB Staff's recommendation as to the sub-sections of 11.2.1 as it  
13 maintains its intentions for the exemption are well articulated in this proceeding and the rationale  
14 for the by-pass exemption is appropriate and reasonable based on Algoma Steel's (the customer)  
15 transparent declaration regarding its intention for its permanent long-term connection to be to  
16 PUC-Transmission's new transmission line.

17 HOSSM also supports OEB Staff's recommendation<sup>23</sup> that should the OEB approve the TSC  
18 exemption, that HOSSM's transmission license<sup>24</sup> be updated, as part of the Decision and Order in  
19 this proceeding.

## 20 **5. Conditional Support of Batchewana First Nation (BFN)**

21 OEB Staff notes that BFN is prepared to provide conditional support to the PUC Project and  
22 HOSSM Station Project on the following basis:

23 (a) A commitment by both the Applicants to on-going engagement with the BFN membership  
24 throughout the life of the PUC Project and HOSSM Station Project, which is to be defined  
25 in an expedited manner;

26 (b) Support from the Applicants to understand the impacts on the original peoples of these  
27 lands including arising out of the environmental assessment process and specific measures  
28 affecting the design and engineering phases of the PUC Project and HOSSM Station  
29 Project;

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<sup>21</sup> OEB Staff Submission Pg. 29.

<sup>22</sup> Ebit.

<sup>23</sup> OEB Staff Submission Pg. 30.

<sup>24</sup> ET-2007-0649



1 (c) Obtaining responses to questions posed at the April 30, 2024, PUC Transmission open  
2 house held at Rankin Arena; and

3 (d) Obtaining from PUC Transmission copies of the additional mapping to the new sub-station  
4 that was unavailable at the aforementioned open house.

5 PUC Transmission and HOSSM welcomes the opportunity to continue to work with BFN about  
6 the impacts, if any, and opportunities created by the PUC Project and the HOSSM Station Project.  
7 With respect to (c) and (d), PUC Transmission provided these materials to BFN on June 14, 2024.

8 **6. Conclusion**

9 PUC Transmission submits that:

10 (a) it has provided sufficient information in this proceeding to establish that the PUC Project,  
11 including its forecast costs, is in the public interest, prudent and needed;

12 (b) the consumer impacts of the PUC Project are appropriate given the project costs and  
13 expected impact on customer rates;

14 (c) the PUC Project is expected to have no material adverse impact on the reliability of the  
15 integrated power system;

16 (d) the route maps submitted by PUC Transmission meet the OEB's requirements; and

17 (e) the forms of land agreements are consistent with the standard elements set out in the Filing  
18 Requirements.<sup>25</sup>

19 HOSSM submits that:

20 (a) it has provided sufficient information in this proceeding to establish that the HOSSM  
21 Station Project, including its forecast costs, is in the public interest;

22 (b) the new Regulatory sub-account PTLPDA-Costs Account should be established for  
23 HOSSM to track capital costs associated with the New HONI Transmission Line Project,  
24 as part of the HOSSM Station Project, prior to being placed in rate base, and takes no issue  
25 with delaying approval for the PTLPDA-Revenues sub-account, and;

26 (c) the TSC code exemption is appropriate, and its exemption should be approved.

27 Accordingly, the Applicants request that the OEB approve the applied for relief in this Application.

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<sup>25</sup> Filing Requirements, Appendix B (Standard Elements of Land Use Agreements)

**APPENDIX A**  
**HOSSM Draft Accounting Order - Accounting Entries**

HOSSM is requesting the Board approve two new regulatory deferral sub-accounts, under the OEB-established Account '1508, Other Regulatory Assets' control account, of the OEB's Uniform System of Accounts.

This two new regulatory 1508 sub-accounts will be named and function as follows;

1) *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 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.

2) *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 where HOSSM receives OEB approval to include those assets into the rate base on which a future HOSSM revenue requirement is set.

The following outlines the proposed accounting entries for this variance account.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account "PTLPDA – Station Costs - Account"
CR 1508	Other Regulatory Assets, Sub-Account "PTLPDA – Station Costs - Account – Contra-Account"

Initially the sub-account will be classified as a Contra-account, whereby no balances (either DR or CR), will exist. The contra-account entries will facilitate the tracking of capital costs incurred and allocated to the New Transmission Line Project. The DR and CR entries will be identical and offset each other, such that no balance will accrue in the account while there is confidence in the need for the project, and that management believe it will be in-serviced.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account "PTLPDA – Station Costs - Account"
CR 2205	Construction Work in Progress

Should the New Transmission Line Project not proceed, for reasons beyond HOSSM management's control, the above entries record the removal of capital costs from HOSSM's 22025 - Construction Work in Progress ("CWIP") Account and become balances in the 1508 - PTLPDA – Station Costs - Account (i.e. no longer will the account act as a contra-account for tracking of capital costs only). These costs represent costs HOSSM would seek OEB approval and recovery in a future S.78 Application. The PTLPDA – Station Costs - Account would then record DR balances.

<u>USofA #</u>	<u>Account Description</u>
DR 17XX and 19XX	Transmission and General Plant Asset Range of Accounts
CR 2205	Construction Work in Progress

At the point where HOSSM Station Project capital costs are placed in-service and pertain to the New Transmission Line Project, the above entries recognize the transfer of those project capital costs from HOSSM's 2205 - Construction Work in Progress ("CWIP") Account to the applicable General Plant and Transmission Fixed Asset Account ranges.

<u>USofA #</u>	<u>Account Description</u>
CR/DR 1508	Other Regulatory Assets, Sub-Account "PTLPDA – Station Revenue Requirement Account"
DR/CR 4110	Transmission Services Revenue

Entry to record the revenue requirement impact of the in-service of the New Transmission Line Project of the HOSSM Station Project that will facilitate the connection of New Transmission Line Project. The capital driving this revenue requirement was not included in the rate base on which HOSSM's current OEB-approved revenue requirement was based. The revenue requirement attributable to any in-service capital of the New Transmission Line Project will be recorded in the 1508 sub-account called *PTLPDA – Station Revenue Requirement Account*, which is a separate and distinct sub-account to that of the *PTLPDA – Station Costs - Account*.

<u>USofA #</u>	<u>Account Description</u>
DR/CR 6035	Other Interest Expense
CR/DR 1508	Other Regulatory Assets, Sub-Account "PTLPDA – Station Revenue Requirement Account"

To record interest improvement on the principal balance of the amounts included in the PTLPDA – Station Revenue Requirement Account.