



EB-2006-0242

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S. O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an application by Hydro One
Networks Inc. for an Order granting leave to construct
transmission facilities in the Townships of Clearview,
Springwater and Essa.

BEFORE:

Pamela Nowina
Presiding Member and Vice Chair

Bill Rupert
Member

Paul Somerville
Member

DECISION AND ORDER

Application and Proceeding

Hydro One Networks Inc. (the "Applicant" or "Hydro One") filed an Application, dated November 2, 2006, with the Ontario Energy Board (the "Board") under section 92 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the 'Act'), seeking an Order of the Board granting leave to construct electricity transmission reinforcement facilities in the Townships of Clearview, Springwater and Essa. The Application was assigned Board File No. EB-2006-0242.

The Applicant is proposing to construct approximately 27 kilometres of double circuit 230 Kilovolt ("kV") electricity transmission line, replacing an existing 115 kV single circuit transmission line extending from a point just west of the Essa Transformer Station ("TS") in Springwater Township to Stayner TS in Clearview Township. The Applicant also proposes to replace two existing 230 kV double circuit towers with two four circuit

towers on the existing right of way to the west of Essa TS; to convert Stayner TS from 115 kV to 230 kV, including installation of a new 230/115 kV autotransformer and higher capacity transformers to replace the existing transformers at Stayner TS; and to add new equipment within Essa TS to accommodate the new 230 kV circuits (collectively the 'proposed project'). Construction of the proposed project is planned to commence in May 2007 and the proposed in-service date is April 2009.

The Board issued a Notice of Application and Written Hearing on November 20, 2006 (the 'Notice'). In the Notice, the Board indicated that it intended to proceed by way of a written hearing unless a party satisfied the Board that there was a good reason to hold an oral hearing. The Applicant served and published the Notice as directed by the Board.

A request for intervenor status was received from the Independent Electricity System Operator ("IESO") and three parties indicated that they wished to be observers. No party requested an oral hearing.

The Board issued Procedural Order No. 1 on December 12, 2006, making provision for interrogatories to be submitted by December 18, 2006 and responses to be provided by December 22, 2006. Interrogatories were filed by Board staff and responses were received by the specified dates.

Evidence and Board Findings

The current application covers the northern part of Simcoe County known as the Southern Georgian Bay area. Hydro One provided evidence that a study of the Southern Georgian Bay area, conducted by the former Ontario Hydro in the early-1990s, settled upon a preferred system plan and route to supply the expected load growth. The plan included the replacement of the existing 115kV transmission line with two 230kV circuits from Essa TS past Stayner TS to a new TS. Through the mid-1990s a reduction in the forecast of load growth in the area, the implementation of demand management in the area, and the transfer of load to TSs in Hanover, Midhurst and Waubashene delayed implementation of the preferred system plan.

Project Need

The evidence filed in this proceeding discloses that both the Independent Electricity System Operator (“IESO”) and the Ontario Power Authority (“OPA”) have identified the need for transmission reinforcement in the Southern Georgian Bay Area: IESO in its “Ten Year Outlook” report (April 2004) and “Ontario Reliability Outlook” report (June 2006); and the OPA in ‘Ontario’s Integrated Power Supply Plan’ (Discussion Paper #5, p. 38), issued on November 13, 2006, which described the proposed project as an “urgent local area reliability project”.

The IESO also carried out a System Impact Assessment (“SIA”) of the proposed project in October, 2006. The SIA confirms the adequacy of and the need for the proposed project, and finds that it will have no adverse impact upon the IESO-controlled grid.

In November 2004, the Simcoe County Supply Study (the “Supply Study”) was completed by Hydro One and six affected load distribution companies (“LDCs”). These LDCs provide distribution service in Simcoe County and are the only transmission customers directly affected by the proposed project.

As part of its findings, the Supply Study recommended the proposed project ‘for implementation as soon as possible’ to address the immediate needs of the area.

The Supply Study assessed the transmission system in Simcoe County, and forecast load growth and the needs of the area. Load forecasts in the Supply Study indicated average annual growth projections for the area of 3.1% per year (summer) and 2.7% per year (winter) over the period 2004-2014.

In the spring of 2006 the OPA, Hydro One and the LDCs analyzed the historical loads from 1996 to 2006 and compared the historical data with the Supply Study load forecasts. Among other things, the analysis demonstrated an electricity demand growth in the Southern Georgian Bay area of 2% per annum into the future, while the neighbouring Barrie area was forecasted to grow 3.6% per annum.

The evidence indicates that the load meeting capability of the 115kV circuit S2S-S2E, was exceeded in the winter of 1996/1997. To mitigate, loading was transferred to neighbouring stations. Such mitigation measures are no longer available as the

neighbouring stations have now reached their limit in supplying their own loads, and can no longer accommodate the transferred loads.

The 230/115kV Transformers at Essa TS feed 115kV load pockets in Southern Georgian Bay and part of Barrie. The evidence filed demonstrates that these transformers have already exceeded their capability. The proposed project would relieve these transformers of a significant part of their 115kV load, by carrying it on 230kV lines.

The proposed modifications will resolve voltage deficiencies and create additional capacity at Stayner Transformer Station which in turn will address overload issues at other locations feeding area loads from the low voltage side of other transformer stations. All affected customers are aware of the impact of the project and are supportive of the study's recommendations. Short circuit ratings do not require that equipment be upgraded.

After reviewing and considering all of the evidence related to the issue of project need, the Board finds that the need for the proposed project has been established.

Filing Requirements for Transmission and Distribution Applications

The Board finds that the Board's Filing Requirements for Transmission and Distribution Applications, November 14, 2006 ("Filing Requirements") have been met save and except for the filing of a Customer Impact Assessment ("CIA").

The purpose of a CIA is to determine the impact on customers of the proposed facilities. As outlined more fully on pages 3 and 4 of this decision, the LDCs (being the customers directly affected by the proposed project) participated in the Supply Study, which concluded that there was no adverse impact on the customers directly affected by the proposed facilities. The applicant has filed the Supply Study as part of its pre-filed evidence and proposes that it be accepted in lieu of a CIA.

The Board is satisfied that in the circumstances of this case the Supply Study serves as a more than adequate proxy for the CIA. Through the Supply Study the Board has been provided with all of the information that would have been provided by a CIA.

Impact of Project on Reliability of Supply

As previously stated in these reasons, the IESO's SIA for this project was included in the pre-filed evidence. The SIA concludes that the proposed project will enhance the reliability of supply in the area, eliminate numerous overloading situations, relieve existing and impending station capability limitations, and have no negative effect on the grid. The conclusions are supported by the Supply Study conducted by Hydro One.

In the SIA, the IESO has included requirements which must be met in completing the proposed project. The applicant has committed to meeting these requirements.

The Board accepts the IESO's evidence that the proposed project will have a positive impact on the reliability of supply.

Land Rights and Form of Easement Agreement

The evidence shows that notice was properly served and there were no landowner requests for intervenor status.

Hydro One has consulted, and promises to continue to consult, with the local community and other interested stakeholders. Evidence was filed documenting a series of meetings with officials, community organizations and interest groups, and three Public Information Centre events. The various concerns raised with Hydro One at those meetings and events, and Hydro One's proposed mitigation of those concerns, are contained in the evidence.

The applicant advises that all easements were acquired from 1992 to 1994 and that no new land rights, beyond temporary access rights, are needed to construct the proposed line and station facilities. The applicant has filed a sample form of the easement agreement. The Board approves the form of the easement agreement.

Environmental Assessments

The original Environmental Assessment entitled "Supply to Collingwood Environmental Study Report" was conducted by Ontario Hydro in 1991 ("1991 ESR"), and included an upgrade of the existing 115kV line and a new transformer station. The proposed project will replace the 115kV line with two 230kV lines and convert Stayner to 230kV

operation. Hydro One did an updated Environmental Study Report in November 2006 ("2006 ESR") to reflect these changes and a widening of the right of way. The 2006 ESR concluded that there are no significant new environmental implications beyond those previously identified in the 1991 ESR.

Although not required under the *Class Environmental Assessment for Minor Transmission Facilities*, the applicant provided a copy of the 2006 ESR to the Ministry of the Environment ("MOE"). By letter dated January 12, 2007, the MOE advised that it concurred with the findings and conclusions of the 2006 ESR (the "MOE letter"). The MOE also made some recommendations ("MOE recommendations"). By letter dated January 17, 2007, attaching and filing the MOE letter, the applicant undertook to carry out the MOE recommendations and mitigation activities. This correspondence is now part of the record in this proceeding.

The evidence indicates that a federal environmental assessment under the *Canadian Environmental Assessment Act* is not necessary for the proposed project.

The Board is satisfied that the appropriate environmental assessments have been done. The Board's approval of the proposed project is conditional upon the applicant undertaking and completing all of the mitigation activities recommended in the 1991 and 2006 ESRs respectively, and also those contained in the correspondence from the MOE dated January 12, 2007.

Project Costs and Impact upon Ratepayers

The Applicant advises that the project cost is estimated at \$92m, with the Network pool comprising \$74m of the total, and the Transformation Connection pool accounting for the remaining \$18m. The Line Connection pool revenue requirement is unaffected by the project.

By way of comparison, the applicant provided evidence reflecting construction costs for other transmission projects it has recently undertaken. The Board finds that the estimated costs of the proposed project are reasonable in comparison to analogous transmission project costs undertaken by the applicant.

The allocation of costs attributable to the project to the Network pool will result in a system-wide increase of 3 cents per MW from the current level of \$2.83 per month until

-7-

2023, when it will decline by 1 cent. The Transformation Connection pool will see a maximum deficiency of \$1.5m in 2011 and will decline thereafter, an amount which is not large enough to affect the pool rate. Accordingly, there will be no impact on rates over the life of the project due to the Transformation Connection pool.

Hydro One estimates that the impact of the proposed facilities on the delivered cost of electricity for the typical Ontario residential customer consuming 1000kWh per month would be approximately 0.05% or 72 cents a year.

The Board is satisfied that the benefits of the project justify the nominal increase in the delivered costs of electricity.

Conclusion

Having considered all of the evidence related to the application, the Board finds the proposed project to be necessary and in the public interest. It will enhance the reliability of the supply of electricity in the Southern Georgian Bay area and have a minimal impact upon the delivered cost of electricity for the typical Ontario residential customer.

THE BOARD ORDERS THAT:

Pursuant to section 92 of *Act*, Hydro One Networks Inc. is granted leave to construct electricity reinforcement transmission facilities in the Townships of Clearview, Springwater and Essa, described in paragraph 2 of this Order and Decision, subject to the Conditions of Approval attached as Appendix "A" to this Order.

ISSUED at Toronto on January 26, 2007

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A
Conditions of Approval for Southern Georgian Bay Reinforcement
Essa X Stayner transmission and associated facilities
Hydro One Networks Inc.
EB-2006-0242

1 General Requirements

- 1.1 Hydro One Networks Inc. ("Hydro One") shall construct the facilities and restore the land in accordance with its application, evidence and undertakings, except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2007, unless construction has commenced prior to that date.
- 1.3 Hydro One shall implement all the recommendations of the Environmental Study Reports filed in the pre-filed evidence, and also those contained in correspondence from the Ministry of the Environment dated January 12, 2007, and such further and other conditions which may be imposed by environmental authorities.
- 1.4 Hydro One shall satisfy the IESO requirements as reflected in the System Impact Assessment document dated October 18, 2006, at page 2.
- 1.5 Hydro One shall advise the Board's designated representative of any proposed material change in the project, including but not limited to changes in: the proposed route; construction techniques; construction schedule; restoration procedures; or any other impacts of construction. Hydro One shall not make a material change without prior approval of the Board or its designated representative. In the event of an emergency the Board shall be informed immediately after the fact.
- 1.6 Hydro One shall obtain all necessary approvals, permits, licences, certificates and easement rights required to construct, operate and maintain the proposed project, and shall provide copies of all such written approvals, permits, licences and certificates upon the Board's request.

2 Project and Communications Requirements

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities.
- 2.2 Hydro One shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Hydro One shall provide a copy of the Order and Conditions of Approval to the project engineer, within ten (10) days of the Board's Order being issued.

- 2.3 Hydro One shall give the Board's designated representative ten (10) days written notice in advance of the commencement of construction.
- 2.4 Hydro One shall furnish the Board's designated representative with all reasonable assistance needed to ascertain whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Hydro One shall develop, as soon as possible and prior to start of construction, a detailed construction plan. The detailed construction plan shall cover all activities and associated outages and also include proposed outage management plans. These plans should be discussed with affected transmission customers before being finalized. Upon completion of the detailed plans, Hydro One shall provide five (5) copies to the Board's designated representative.
- 2.6 Hydro One shall furnish the Board's designated representative with five (5) copies of written confirmation of the completion of construction. This written confirmation shall be provided within one month of the completion of construction.

3 Monitoring and Reporting Requirements

- 3.1 Both during and after construction, Hydro One shall monitor the impacts of construction, and shall file five (5) copies of a monitoring report with the Board within fifteen months of the completion of construction. Hydro One shall attach to the monitoring report a log of all comments and complaints related to construction that have been received. The log shall record the person making the comment or complaint, the times of all comments or complaints received, the substance of each, the actions taken in response to each if any, and the reasons underlying such actions.
- 3.2 The monitoring report shall confirm Hydro One's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction and the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.
- 3.3 Within fifteen (15) months of the completion of construction, Hydro One shall file with the Board a written Post Construction Financial Report. The report shall indicate the actual capital costs of the project with a detailed explanation of all cost components and shall explain all significant variances from the estimates filed with the Board.