

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 Toronto  
Hydro-Electric System Limited for an order  
approving just and reasonable rates and other  
charges for electricity distribution to be effective  
June 1, 2012, May 1, 2013, and May 1, 2014

**FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA**

**RE: THE BREMNER TRANSFORMER STATION PROJECT**

**I. INTRODUCTION:**

By Application dated May 10, 2012, Toronto Hydro-Electric System Limited ("THESL") applied to the Ontario Energy Board ("Board") for approval for changes to its distribution rates to be effective June 1, 2012, May 1, 2013 and May 1, 2014. The application was filed pursuant to the Board's Incentive Regulation Mechanism ("IRM") framework. THESL was seeking approval of an IRM adjustment for each year, 2012-2014, including approval of an Incremental Capital Module ("ICM") for each of the three years.

By letters dated September 13, 2012, and October 22, 2012, THESL informed the Board that it would be updating its evidence. THESL informed the Board that it was undertaking a review of the extent to which the work proposed in the application, and especially that for 2012, needs to be updated and re-prioritized to account for the fact that a Board Decision would not be expected until late 2012 or early 2013.

THESL filed that updated evidence on October 31, 2012. In addition, THESL proposed that the Board deal with the application in two phases. The first phase would deal with the rates for 2012 and 2013, and the second phase would deal with 2014. The evidence regarding 2014 would be put on hold until the second phase of the hearing, and be updated to reflect the Board's Decision in the first phase and the most current forecast of the 2014 work plan with one exception.

THESL also requested that the Board deal with the Bremner Transformer Station Project and associated capital contributions as an integrated three-year undertaking and that Board approval for the whole first phase of this project was required at this time to enable THESL to enter into the construction and equipment supply commitments necessary to achieve completion by the end of 2014. The Board accepted THESL's proposed approach and proposed a separate process for its consideration of the Bremner Transformer Station

Project (Procedural Order No. 3, dated November 8, 2012). The oral hearing dealing with the Bremner Transformer Station Project was held on February 19-20.

This is the final argument of the Consumers Council of Canada ("Council") on the issues related to the Bremner Transformer Station Project ("Bremner Project").

## **II. SUBMISSIONS:**

THESL provided a detailed business case evaluation, supplemented by a report by Navigant Consulting Inc. in support of its Bremner Project. With respect to need THESL provided two main reasons that necessitate the need for the project. The first is the need for additional capacity at the Windsor Transformer Station ("TS") to enable staged replacements of its end-of-life, air-blast switchgear. In addition THESL identified the need for additional capacity to serve load growth in the downtown core (Ex. T4-S17-p. 2.) At the hearing THESL added that an additional benefit of the Bremner TS would be the added reliability achieved through load shifting between various THESL stations. (Tr. Vol. 1, p. 35)

The project budget for Phase I is \$194.9 million which includes a \$60 million contribution to Hydro One. This represents an increase of \$66.3 million over the previous budget reported in the EB-2010-0142 proceeding (Ex. T4-S17-p. 4). The current projected in-service date for Bremner is December 2014. The second phase of the project, which is not the subject of this application, will bring the total project cost to \$272 million.

Environmental Defense sponsored evidence by Mr. Bob Bach that described current programs, initiatives, and regulatory actions that are reducing summer peak demand in Toronto, generally, and in the downtown core. Mr. Bach concluded that with additional focussed and targeted efforts and investments by THESL in the area of Conservation and Demand Management ("CDM"), "the net effect will be an overall reduction in electricity consumption and a consequent reduction in projected peak demand well beyond the modest forecast in the Navigant Report." (Ex. K6.5, p. 2)

The Ontario Power Authority appeared at the hearing at the request of Environmental Defense. The OPA discussed its plans to undertake a Toronto Regional Plan in order to review the service needs of downtown and central Toronto. That plan will include a consideration of all resources including CDM, Distributed Generation ("DG"), as well as options regarding distribution and transmission to meet Toronto's future capacity, reliability and security of supply needs. The process is being undertaken in the Spring of 2013 (Tr. Vol 1, pp. 12-13). The OPA indicated that its plan assumptions include the addition of the Bremner TS, but if the Board did not approve the project, and viable alternatives existed, it could develop the Toronto Regional Plan without the Bremner in-service assumption.

The Council submits that THESL has not provided sufficient evidence to justify approval of the Bremner project at this time. This is essentially a \$270 million project that needs to be carefully scrutinized by the Board in order to ensure that all feasible options have been thoroughly considered, and that undertaking this project, at this time, for recovery in 2014 rates is in the best interests of THESL's ratepayers. The Council does not accept, however, that there has been a sufficient case made by others that the Bremner Project can be deferred indefinitely in favour of other options like DG and CDM.

The Council submits that there are many reasons why approval of the project, at this time is premature. The Council has set out below the following concerns with THESL's proposal to proceed with the project and include, in 2014 rates the revenue requirement impact of the \$194.9 million project:

- The Toronto Regional Planning process is commencing shortly. That process being conducted by the OPA, Hydro One Networks Inc., the IESO and THESL will be considering capacity, reliability and supply needs for the Toronto Region. Learnings from that planning process will provide better context for the Board's consideration of the Bremner Project and potential alternatives. It will also inform the Board as to the appropriate timing of the project, to the extent the Board accepts THESL's evidence regarding project need;
- THESL will be coming back before the Board seeking approval for an updated application regarding 2014 rates. The Council assumes that will continue to be an application for IRM with an incremental capital module. As the Bremner Project is currently projected to be in-service in 2014, the project should be considered in the context of THESL's overall 2014 capital program and the 2014 in-service additions;
- THESL's load forecast only includes CDM results from the last five years along with load growth that has been experienced in the last five years (Tr. Vol 2, p. 59). THESL has not developed an estimate of additional incremental energy efficiency and demand response options for the area serviced by the five downtown transformer stations (Tr. Vol. 1, p. 21). The OPA has indicated that it would be open to working with THESL to explore program options for the downtown core (Tr. Vol. 1, p. 22) In addition, the OPA acknowledges that CDM can be effective in terms of deferring investments (Tr. Vol. 1, p. 17);
- The Navigant consultants did not undertake an independent CDM assessment or assessment of the load forecast provided by THESL (Tr. Vol. 1, p. 109);
- Navigant acknowledged that DG should be considered as an alternative to these types of projects if it can be demonstrated to be viable. (Tr. Vol. 2, p. 5);
- THESL is arguing that one of the justifications for the Bremner project, beyond the need to enable switchgear replacements at the Windsor TS, is to serve load growth. This does not appear to be consistent with HON's request to have THESL pay the \$60 capital contribution;
- The Windsor TS switchgear upgrades are the biggest driver for this project in terms of urgency. These were not identified in THESL's last application (Tr. Vol. 2, p. 44), which raises some uncertainty about the urgent nature of the work;
- There are alternatives to the Bremner Project that could be facilitated to address any immediate needs arising from the need to upgrade the Windsor TS, like adding feeders to or expanding either the Esplanade or Stachan stations. THESL has indicated that these are technically viable and physically executable, but not ideal due to distance from the load center, complexity of construction and risk associated with the site approvals. From the Council's perspective these alternatives should be considered as part of the Toronto Regional Plan;
- HON is currently proceeding with Transmission upgrades that may address some of the difficulties THESL has had in the past to facilitate DG connections (Tr. Vol. 2, p. 7);
- THESL indicated that the 2014 in-service date was viable if construction began in the first quarter of 2013 (Tr. Vol. 2, p. 34). Given the potential timing of the Board's Decision in this case, and the requirement to await approval from HON's Board for

the capital contribution, it is questionable as to whether a quarter four, 2014 in-service date is possible.

The Council acknowledges that as Toronto grows, and capacity is required to service future load growth, there will likely be a need for a project like the Bremner TS. The Council urges the Board to carefully consider whether THESL has adequately justified the need for the project, and the requirement to proceed with it at this time, as the rate impacts for THESL's customers will be significant. For the reasons set out above, the Council submits that rather than issue a decision at this time, the Board should await THESL's 2014 application and evidence update. At that time, the Board will have more information regarding the Toronto Regional Plan and all of the potential alternatives to either delay the project or proceed with other alternative.

### **III. COSTS**

The Council requests that it be awarded 100% of its reasonably incurred costs for its participation in this proceeding.

All of which is respectfully submitted,

**Julie Girvan**  
**Consultant to the Consumers Council of Canada**







