

Hydro One Networks Inc.

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

**Joanne Richardson**

Director, Major Projects and  
Partnerships

C 416.902.4326

Joanne.Richardson@HydroOne.com

**BY EMAIL AND RESS**

October 31, 2023

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

Dear Ms. Marconi,

**EB-2023-0061 – Hydro One Sault Ste. Marie Limited Partnership Leave to Construct Application – Sault #3 Transmission Line Refurbishment Project – Reply Submission**

In accordance with Procedural Order No. 2 issued on October 12, 2023, please find enclosed Hydro One Sault Ste. Marie (HOSSM)'s Reply Submission in support of its Leave to Construct Application – Sault #3 Transmission Line Refurbishment Project.

An electronic copy of the Reply Submission has been submitted by Hydro One Networks Inc. on behalf of HOSSM, using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink, appearing to read "Joanne Richardson".

Joanne Richardson

c/ Intervenors of record in EB-2023-0061

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** an Application by Hydro One Sault Ste. Marie Limited Partnership (“HOSSM”) pursuant to section 92 of the *Ontario Energy Board Act, 1998* (the “Act”) for an Order or Orders granting leave to refurbish the existing Sault #3 transmission line (“Sault #3”), between Third Line Transformer Station (“TS”) and Mackay TS (the “Sault #3 Project” or “Project”) connecting the Montreal River area with the Sault Ste. Marie area.

**AND IN THE MATTER OF** an Application by HOSSM pursuant to section 97 of the Act for an Order granting approval of the forms of the agreements offered or to be offered to affected landowners.

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**REPLY SUBMISSION OF  
HYDRO ONE SAULT STE. MARIE LIMITED PARTNERSHIP**

**October 31, 2023**

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1 **INTRODUCTION**

2 1. In accordance with Procedural Order No. 2 dated October 12, 2023, and in  
3 response to the submission received from one intervenor, Batchewana First Nation  
4 (“BFN”), and receipt and review of Ontario Energy Board (“OEB” or Board”) Staff  
5 Submission, HOSSM provides this reply submission.

6  
7 2. For the reasons that follow, HOSSM submits that no party has provided a  
8 reasonable basis to cause the OEB to reject the relief HOSSM has sought in its  
9 Application. The pre-filed evidence supports the Project need, namely, the urgent  
10 refurbishment of the Sault #3 line which is near end of life as supported by  
11 conductor laboratory testing, which need is also supported by the IESO. The  
12 Application and evidence in this proceeding demonstrate that the Project is  
13 appropriately designed and utilizes an existing 115 kV transmission corridor and is  
14 in the interest of consumers with respect to price, reliability and quality of service.  
15 As such, HOSSM submits that the relief it seeks, including approvals being made  
16 subject to the Board’s standard terms and conditions for similar-type projects, is in  
17 the public interest and should be granted.

18  
19 **BACKGROUND**

20 3. On June 15, 2023, HOSSM applied to the OEB pursuant to s.92 of the *Ontario*  
21 *Energy Board Act, 1988* (the “Act”) for an Order or Orders granting leave to  
22 refurbish approximately 90.5 kilometers of 115 kilovolt (“kV”) single-circuit  
23 transmission line (“Sault #3”), spanning between Third Line TS and Mackay TS  
24 (the “Project”). The following parties registered to intervene in this proceeding:  
25 BFN, Algoma Power Inc. (“API”), Independent Electricity System Operator  
26 (“IESO”), and Perimeter Forest Limited Partnership (“PFLP”). This submission will  
27 respond to the submissions received from BFN and OEB Staff. API, PFLP and the  
28 IESO did not file submissions.

- 1 4. To maintain safe and reliable supply of electricity to the area there is an immediate  
2 need to address the wood pole Sault #3 line and associated assets that are over  
3 90 years old, in poor condition and near end of life.<sup>1</sup>  
4
- 5 5. As a result of multiple conductor sleeve failures, and poor conductor condition, the  
6 Sault #3 line has been de-rated to 200 amps from the original design rating of 464  
7 amps. The de-rating results in the restriction of load flow between Mackay TS and  
8 Third Line TS. The de-rated circuit is unable to be restored to its original design  
9 rating until the refurbishment of the Sault #3 line occurs.<sup>2</sup>  
10
- 11 6. As part of the Project's scope, HOSSM will increase the existing conductor size on  
12 the line to reduce transmission line losses in a cost-effective manner<sup>3</sup>. The  
13 upgraded conductor selection is the trigger for this Project requiring OEB leave to  
14 construct; otherwise, the Project would be an in-situ sustainment project and would  
15 not necessitate leave of the OEB.  
16
- 17 7. No new permanent land rights are required to deliver the Project. It is anticipated  
18 that the Project will be completed within the existing 115 kV transmission corridor.  
19 In the event that HOSSM requires temporary property rights to execute Project  
20 construction, these will need to be negotiated. HOSSM is seeking approval of the  
21 forms of agreement offered, or to be offered, to affected landowners pursuant to  
22 s.97 of the *Act*. All these forms have already been substantively approved in  
23 previous OEB-approved applications.<sup>4</sup>  
24
- 25 8. The IESO's System Impact Assessment ("SIA")<sup>5</sup> and HOSSM's Customer Impact  
26 Assessment ("CIA")<sup>6</sup> support HOSSM's submission that the Project is expected to  
27 have no material adverse impact on reliability of the integrated power system nor  
28 any adverse effects on HOSSM's existing transmission customers in the area.

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<sup>1</sup> Exhibit B, Tab 3, Schedule 1, p.1.

<sup>2</sup> Exhibit B, Tab 2, Schedule 1, p.2.

<sup>3</sup> Exhibit B, Tab 5, Schedule 1.

<sup>4</sup> Exhibit E, Tab 1, Schedule 1, p.3.

<sup>5</sup> Exhibit F, Tab 1, Schedule 1, Attachment 1, p.5.

<sup>6</sup> Exhibit G, Tab 1, Schedule 1, Attachment 1, p.5.

1 9. The forecast cost of the transmission line and related facilities for which HOSSM  
2 is seeking approval is approximately \$68.8 million<sup>7</sup>, of which \$63.5M<sup>8</sup> is forecast  
3 to be added to HOSSM's rate base. HOSSM forecasts there will be a minimal cost  
4 impact to transmission rates for Ontario's transmission ratepayers because of the  
5 Project. The network connection pool rate is forecast to increase the 2023 OEB-  
6 approved rates by \$0.02/kW/month from the current rate of \$5.60/kW/month to  
7 \$5.62/kW/month, resulting in a modest increase of 0.02% (or \$0.03 per month) on  
8 the overall average Ontario consumer's electricity bill.<sup>9</sup>

9  
10 **SUBMISSION**

11 ***Project Need and Alternatives***

12 10. The need for the refurbishment of the Sault #3 line is to replace facilities in poor  
13 condition and near end of life, that are susceptible to failure, so that the de-rated  
14 circuit can be returned to its needed operating level. This will ensure the area will  
15 continue to receive a safe and reliable supply of electricity. HOSSM has provided  
16 clear and substantial evidence establishing the need for this Project and  
17 demonstrating that the proposed Project is the most cost-effective solution to  
18 address that need<sup>10</sup>. The IESO has also provided evidence establishing that a  
19 230 kV upgrade option was considered in the context of regional and bulk system  
20 planning and did not find an upgrade was cost-effective in meeting the established  
21 needs<sup>11</sup>.

22  
23 11. OEB Staff submitted that the evidence has demonstrated the need for the Project.  
24 Furthermore, OEB Staff agrees with HOSSM's approach to adopt larger conductor  
25 sizes, where cost-effective, and thus does not oppose HOSSM's selection of  
26 Alternative 2 as the proposed option.<sup>12</sup>

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<sup>7</sup> Exhibit B, Tab 7, Schedule 1, p.1.

<sup>8</sup> Line work of \$59.3M, plus station work of \$4.2M = \$63.5M total rate base capital.

<sup>9</sup> Exhibit B, Tab 9, Schedule 1, pp.2-3.

<sup>10</sup> Exhibit B, Tab 5, Schedule 1.

<sup>11</sup> Exhibit B, Tab 3, Schedule 1, inclusive of Attachments.

<sup>12</sup> OEB Staff Submission, October 24, 2023, pp. 5-6.

- 1 12. In terms of the Project's design, HOSSM submits the proposed conductor size is  
2 the most optimal based on the analysis of alternatives<sup>13</sup>. Alternative #2 would  
3 replace a 69.4 km section of the line between Structure 129 and Mackay TS that  
4 is in degraded condition, whereas Alternative #4 for a marginal incremental cost  
5 would look to replace the conductor along the entire line (i.e., 90.5 km from Third  
6 Line TS to Mackay TS) regardless of its age and/or condition. HOSSM continues  
7 to maintain its position that Alternative #2 is the most appropriate solution from a  
8 cost-benefit perspective for the stated Project need. However, given the  
9 observations in the OEB Staff submission<sup>14</sup> regarding the perceived immaterial  
10 incremental cost to construct Alternative #4, should the OEB wish to direct HOSSM  
11 to select the Alternative #4 and construct that option, HOSSM takes no issue.  
12
- 13 13. BFN opines however that, "HOSSM has made a short-sighted determination by  
14 concluding that upgrading the Sault #3 circuit to operate at 230 kV would not be  
15 cost effective."<sup>15</sup> Without having provided any cost-based evidence to substantiate  
16 its position in this proceeding, BFN appears to rely on the IESO's Pathways to  
17 Decarbonization Report (the "P2D Report"), which references there being an  
18 "urgent need to begin investing in early development work to ensure that the grid  
19 is ready to support transformation"<sup>16</sup>. HOSSM submits that BFN's statements take  
20 the P2D Report, which is a broad-based policy document, out of context, and  
21 assumes that the future integration of renewable energy sources into the grid  
22 cannot occur unless higher voltage lines are constructed in specific areas.  
23 HOSSM disagrees. What has been demonstrated with certainty in this Application  
24 is that the IESO, having conducted bulk and regional studies in the area, has  
25 indicated to HOSSM that there are no established regional or bulk network needs  
26 requiring a 230 kV voltage upgrade to the existing Sault #3 line based on the  
27 application of reliability criteria.

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<sup>13</sup> Exhibit B, Tab 5, Schedule 1.

<sup>14</sup> OEB Staff Submission, October 24, 2023, p.6.

<sup>15</sup> BFN Submission, October 24, 2023, p.4, Paragraph 13.

<sup>16</sup> IESO's Pathways to Carbonization Report, December 15, 2022, p.38.

1 14. HOSSM submits that by the IESO concluding a voltage upgrade is not required,  
2 the refurbishment Project seeking approval in this Application strikes an  
3 appropriate balance between the benefits and the cost the Project is expected to  
4 deliver for ratepayers, who will ultimately be funding the Project.

5  
6 15. The evidence on the record of this proceeding, including that provided by the IESO  
7 as the planner and operator of Ontario's electricity system, clearly rebuts the  
8 positions advanced by BFN. Based on the IESO's Need Evidence for the Project<sup>17</sup>,  
9 there is no need to upgrade the Sault #3 line in terms of either line voltage and/or  
10 ampacity beyond HOSSM's minimum standard conductor which clearly rebuts  
11 BFN's position for the voltage upgrade. The evidence states:

12

13 The IESO's Northeast Bulk Plan did consider the upgrade of the  
14 Sault No.3 circuit to 230 kV but found that, on its own, this option  
15 would not address the identified bulk system needs. The observed  
16 system limitations were between Mississagi TS and Third Line TS,  
17 not between Third Line TS and Mackay TS. Thus reinforcement of  
18 the Mississagi TS to Third Line TS path was found to be more  
19 technically capable of addressing the identified bulk system needs,  
20 and was ultimately recommended as part of the plan, rather than  
21 the option to upgrade the Sault No. 3 circuit.

22

23 Since the Northeast Bulk Plan did not recommend upgrading the  
24 Sault No.3 circuit, the IESO reconvened the East Lake Superior  
25 regional planning working group to revisit the IRRP needs, linked to  
26 the Sault No.3 circuit... While a final recommended solution has not  
27 yet been selected, all options currently under consideration are  
28 significantly less costly than upgrading the Sault No. 3 circuit  
29 beyond HONI's minimum standard conductor size. On this basis the  
30 IESO does not recommend proceeding with such an upgrade for  
31 the purpose of meeting regional needs.<sup>18</sup>

32

33 16. Furthermore, given the condition of the existing 115kV single-circuit transmission  
34 line, the IESO supports the need to refurbish the Sault #3 line which is currently  
35 de-rated due to its deteriorated condition. The IESO clearly did not recommend  
36 upgrading this transmission line for bulk system or regional needs.

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<sup>17</sup> Exhibit B, Tab 3, Schedule 1, inclusive of Attachments.

<sup>18</sup> Exhibit B, Tab 3, Schedule 1, Attachment 1, p.5.

1 17. It is HOSSM who is proposing to increase the size of the conductor to 477 kcmil,  
2 which as mentioned is the sole trigger for this leave to construct Application.  
3 HOSSM's request to increase the conductor size is a result of HOSSM's aim to  
4 minimize line losses and maximize use, where the refurbishment of a transmission  
5 line is being contemplated and in situations where there is a demonstrable cost-  
6 benefit rationale to do so<sup>19</sup>.

7  
8 18. The Sault #3 line is an aging facility nearing the end of its life. Given the structural  
9 integrity of the facilities, as confirmed by an independent third-party analysis<sup>20</sup>,  
10 there is an immediate need for refurbishment to ensure that the area continues to  
11 receive a safe and reliable supply of electricity. This is evidenced by the following:

12  
13 Between 2013 and 2015, there were three conductor sleeve failures  
14 on the Sault #3 line 266.8 kcmil conductor. A third-party failure  
15 analysis was performed on the splice connection that failed that  
16 revealed:

- 17 • burn marks on the outer aluminum wires within the  
18 aluminum splice.
- 19 • burnt, broken, and heavily rusted steel core wires near  
20 and within the steel splice.

21  
22 The failure analysis also indicated that the 266.8 kcmil ACSR  
23 conductor is in poor condition and near to its end of life. As a result  
24 of the age and associated poor condition of the conductor, the  
25 circuit was de-rated to 200 amps from the original design rating<sup>21</sup>

26  
27 19. Regarding BFN's submissions with respect to potential additional generation on  
28 the Sault #3 line. The IESO is the authority that determines or contracts for  
29 additional generation in the province. The planned refurbishment does not prevent  
30 the study and connection of additional generation in the local area. The  
31 refurbishment of the Sault #3 line as proposed would in fact increase the circuits'  
32 capability to connect additional generation and load. However, the IESO would be  
33 required to study the area to determine if the upstream facilities are capability of

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<sup>19</sup> HOSSM provide its line loss cost benefit analysis in Exhibit B, Tab 5, Schedule 1. This analysis is the basis on which HOSSM's Alternative #2 has been selected as the preferred option, and subsequently the subject of the relief being sought in this Application.

<sup>20</sup> Exhibit B, Tab 3, Schedule 1, p.1.

<sup>21</sup> Exhibit B, Tab 3, Schedule 1, p.1.



1 accepting additional generation loads what if any constraints exist on the system.  
2 What is clear on the record of this proceeding is that Sault #3's refurbishment is  
3 urgent, and its construction will meet the immediate needs of Sault#3-connected  
4 customers.

5

6 20. In the event the proponent requested connection to the transmission system for a  
7 proposed generation project that would be administered appropriately via the  
8 OEB's well-established rules contained in the Transmission System Code ("TSC"),  
9 that, among other items, governs system connections and system adequacies.  
10 The TSC also provides guidance on cost responsibility and cost allocation  
11 principals that must be followed by transmitters when requesting transmission  
12 system connections, upgrades, or other types of accommodations.

13

14 21. At paragraph #16 of BFN's submission, BFN writes, "*HOSSM should provide a*  
15 *timeline for when the upgrading will occur*"<sup>22</sup>. HOSSM submits that this is not a  
16 matter for HOSSM to unilaterally determine, particularly, if such a project is needed  
17 and expected to be included in a transmitters rate base and recovered from  
18 transmission ratepayers. Consistent with the submissions made above, the IESO  
19 would be involved in such a determination, and it would be expected to be  
20 evidenced in an assessment made in an Integrated Regional Resources Plan  
21 ("IRRP"), a Regional Infrastructure Plan ("RIP") or a Bulk System plan. In  
22 undertaking these studies, public engagements are held in addition to working with  
23 transmitters and Local Distribution Companies to establish solutions pertaining to  
24 identified needs. The IESO's position regarding the need for the Project and their  
25 position regarding any need for a 230 kV voltage upgrade to the Sault #3 line was  
26 clearly stated in the IESO's '*Relationship Between Hydro One Sault Ste. Marie's*  
27 *Sault No.3 Circuit Refurbishment and Regional and Bulk System Plans*', as follows;

28

29 Upgrading the Sault No.3 circuit beyond HONI's minimum standard  
30 conductor size to allow it to operate at 230 kV was considered as  
31 an option to address bulk and regional needs in the IESO's  
32 Northeast Bulk Plan and the IESO's East Lake Superior regional  
33 planning activities. As the IESO's regional planning initiatives did

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<sup>22</sup> BFN Submission, October 24, 2023, p.5, Paragraph 16.

1 not find the upgrade option to be cost-effective for meeting the wider  
2 scope of the area's regional needs, and the Northeast Bulk Plan did  
3 not find it to be technically capable of meeting bulk system needs  
4 relative to other options, the IESO did not recommend upgrading  
5 the Sault No. 3 circuit beyond HONI's minimum standard conductor  
6 size to allow it to operate 230 kV. HOSSM's identification of an end-  
7 of-life replacement is the key driver of the need for refurbishment,  
8 while the IESO understands from HOSSM analysis that the  
9 mitigation of line losses is the key driver of the proposed project's  
10 conductor size.<sup>23</sup>  
11

12 22. In the absence of the IESO determining that either, i) a voltage upgrade is required,  
13 and/or ii) a capacity upgrade is required, the long-established rules on this scenario,  
14 found within the TSC, are clear, i.e., the cost of those upgrades would be  
15 apportioned consistent with the TSC's cost responsibility rules. In this scenario,  
16 where there are no network needs identified by the IESO, if a customer requests  
17 connection or upgrade of transmission facilities they would be responsible for the  
18 cost of those upgrades.  
19

20 23. In the absence of a customer request for a transmission connection, or service  
21 upgrade, that would trigger cost allocation treatment based on TSC principles,  
22 HOSSM would not undertake a voltage upgrade like the one contemplated by BFN,  
23 without an IESO need assessment, because HOSSM believes it cannot defend  
24 the prudence of such a Project. In fact, as outlined in HOSSM's responses on this  
25 issue during the discovery phase, the load forecast HOSSM received for  
26 Batchewana TS and Goulais TS, the stations supplied via the Sault #3 line, is flat.<sup>24</sup>  
27

28 24. Nonetheless, to be helpful and transparent, to benefit both the OEB and BFN,  
29 HOSSM will address BFN's request in its submission<sup>25</sup> for a cost estimate of  
30 undertaking a 230 kV upgrade of the Sault #3 line. HOSSM estimates the cost of  
31 the conversion of the Sault #3 line, including the associated facility upgrades  
32 needed to support a 230 kV design and operating capacity would be in the

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<sup>23</sup> Exhibit B, Tab 3, Schedule 1, Attachment 1, p.2.

<sup>24</sup> Exhibit I, Tab 4, Schedule 1, part (3).

<sup>25</sup> BFN Submission, October 24, 2023, p.4, Paragraph 15.

1 magnitude of at least 3 to 5 times<sup>26</sup> that of the Project HOSSM is seeking approval  
2 for in this Application. This planning estimate reflects the increased scope a 230 kV  
3 conversion would entail, as documented in HOSSM's response to BFN's  
4 Interrogatory #2, notably:

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Apart from the higher cost of the 230 kV line itself, the project would require extensive work at both Third Line TS and Mackay TS to connect the upgraded line at these two stations. Both Batchewana TS and Goulais TS would need to be converted to 230 kV stations. Further, the re-termination of the Sault No.3 circuit on the 230 kV bus at Third Line TS would remove Sault No.3 as a supply to the 115 kV system at Third Line. This would advance the need, identified in the East Lake Superior IRRP, for additional auto-transformer capacity at Third Line.<sup>27</sup>

16 25. BFN submitted that the cost of voltage conversion to 230 kV is justifiable from a  
17 cost-benefit perspective, however, BFN has failed to provide any substantive  
18 evidence to support their position and relies on references to the P2D Report,  
19 which was intended to demonstrate at a system-wide level the challenges and  
20 feasibility of decarbonisation of Ontario's electricity system. It is not a plan but one  
21 possible pathway to decarbonisation, and it did not describe specific local  
22 upgrades that would be required.

23  
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26. HOSSM submits that the P2D Report is generic in nature and broader based than one specific transmission line. The P2D Report does not explicitly or implicitly support upgrading all existing 115 kV lines to 230 kV as they reach end of life and are replaced/refurbished.

29  
30  
31  
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33

27. HOSSM further submits that the upgrade and conversion of voltages on transmission lines throughout the system should be done so in a balanced and methodical manner, in collaboration with system area needs such that infrastructure is brought on-line in a timely manner that reflects the demand and anticipated benefits of doing so. As per the IESO's recommendations, a voltage

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<sup>26</sup> Based on a Planning estimate with an accuracy level of (+100/-50%).

<sup>27</sup> Exhibit I, Tab 4, Schedule 2, part (2).

1 conversion for this line was deemed not appropriate or necessary, and that the  
2 most imminent need was to restore the line to its original operational design, prior  
3 to being de-rated, and to reduce the risks of further degradation in reliability and  
4 quality of service for those currently connected. HOSSM supports the IESO's  
5 recommendations regarding the voltage requirements of this circuit and agrees  
6 with the IESO that a refurbishment of the Sault #3 line at its current volage (i.e.,  
7 115 kV) is the most appropriate to meet the system area needs.

8

9 ***Project Cost and Customer Impact***

10 28. OEB Staff submitted that HOSSM's proposed allocation of Project costs to the  
11 network connection rate pool is appropriate.<sup>28</sup> OEB Staff takes no issue with  
12 HOSSM's position that no customer contribution is required for this Project. No  
13 intervenors made submissions on this subject.

14

15 29. HOSSM submits that the costs, and cost allocation proposal is appropriate given  
16 the Project's need.

17

18 30. Furthermore, HOSSM submits that the perceived higher per km unit cost of this  
19 Project, as observed by Board Staff in its submission<sup>29</sup>, compared to projects used  
20 by HOSSM as appropriate comparatives, is a reflection of the significant  
21 inflationary environment which HOSSM has been, and continues to operate in  
22 since 2020, the year where inflationary pressures began trending significantly  
23 upward. HOSSM's projects have continued to be impacted by ever-increasing  
24 inflationary trends and global supply chain issues, with the price of essential  
25 commodities having a significant impact on this Project's costs.<sup>30</sup>

26

27 31. The delivery of the Project will be completed by a contractor. During the execution  
28 of this Project the contractor will share in the risks of managing procurement cost  
29 and labour costs in the current market and thus the costs to complete the Project  
30 reflect those mitigated risks.

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<sup>28</sup> OEB Staff Submission, October 24, 2023, p.8.

<sup>29</sup> OEB Staff Submission, October 24, 2023, p.7.

<sup>30</sup> Exhibit B, Tab 7, Schedule 1, p.6.

- 1 32. HOSSM submits that the Project is expected to have only a modest impact on  
2 customers. As outlined in Exhibit B, Tab 9, Schedule 1 of the Application, the  
3 Project's impact on a typical residential customer bill is estimated to be the  
4 equivalent to a 0.02% total bill increase. OEB Staff agrees and submitted that "*the*  
5 *consumer impacts of the Project are appropriate given the need for the Project, its*  
6 *costs and its alternatives*".<sup>31</sup>  
7
- 8 33. OEB staff does not oppose the estimated costs for the proposed Project. However,  
9 in addressing the unit cost of the Project relative to other completed refurbishment  
10 projects, OEB Staff document that they can neither support nor dispute the cost  
11 estimates or underlying rationale. OEB Staff elaborate that, "if the higher costs  
12 materialize as the application anticipates, HOSSM should include evidence at a  
13 sufficiently granular level to substantiate the higher costs in the future revenue  
14 requirement application, so that the prudence of incremental costs can be  
15 reviewed."<sup>32</sup>  
16
- 17 34. In response to OEB Staff's submission above, HOSSM observes that OEB Staff  
18 assume that higher project costs, compared to those included in the Application,  
19 are anticipated. At Exhibit B, Tab 7, Schedule 1, HOSSM confirms that the project  
20 costs are an AACE Class 3 estimate with an anticipated variance range between  
21 +30% and -20%. That Exhibit also outlines risks associated with estimating project  
22 costs. The range reflects the AACE International Cost Estimate Classification  
23 System guidelines and the fact that forecasts are subject to potential cost  
24 variances, given that there is still a period of time remaining until the Project is  
25 delivered and in-serviced. Notwithstanding this, HOSSM accepts that if there is a  
26 material variation over and above the Project cost estimate detailed in Exhibit B,  
27 Tab 7, Schedule 1, HOSSM will provide the necessary evidence to substantiate  
28 the cost increase in a future revenue requirement application. This is consistent  
29 with the OEB's *Filing Requirements for Electricity Transmission Applications*  
30 *Chapter 4 Leave to Construct and Related Matters under Part VI of the Ontario*

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<sup>31</sup> OEB Staff Submission, October 24, 2023, p.8.

<sup>32</sup> OEB Staff Submission, October 24, 2023, p.7.

1           *Energy Board Act* (the “Filing Guidelines”) that were recently updated by the Board  
2           and published on March 16, 2023. The Filing Guidelines detail the following with  
3           respect to the depth of information required in a utility’s subsequent revenue  
4           requirement application when leave to construct has been secured prior to a  
5           revenue requirement filing:

6  
7           Outside of the LTC application, there are other OEB processes that also involve  
8           the review of transmission investments, such as in a rates proceeding. The OEB’s  
9           authority to approve a transmitter’s capital budgets and to set rates is established  
10          in section 78(1) of the Act. In the case of a rate-regulated transmitter, this could  
11          result in the same transmission line construction project coming before the OEB in  
12          two separate proceedings. Normally the need for, and cost of, a project is reviewed  
13          in detail as part of a LTC application. **If a LTC application precedes a**  
14          **transmitter’s rate application that includes the same project, and the**  
15          **applicant is not proposing a significant variation from the cost of the project**  
16          **as identified in the associated LTC application, the need for the project and**  
17          **cost need not be re-examined [emphasis added].**<sup>33</sup>

18  
19       35.       The Board’s s.92 filing requirements require the applicant to provide an estimate  
20       for the cost of the Project and an economic evaluation regarding customer impact.  
21       The OEB when approving a s.92 Application considers price, reliability, and quality  
22       of service elements to determine whether the project is in the public interest.  
23       Therefore, HOSSM submits that if that project is subsequently included in a future  
24       revenue requirement application and the project’s costs are within an acceptable  
25       cost range, that a project’s costs should not be revisited. It is important for a  
26       transmitter to have assurance that the costs of these projects will be accepted for  
27       inclusion in the company’s rate base.

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<sup>33</sup> [OEB Filing Requirements for Electricity Transmission Applications](#), Chapter 4 – Leave to Construct and Related Matters under Part VI of OEB Act, March 16, 2023, p.12.

1 **Reliability and Quality of Service**

2 36. In this Application, HOSSM provides that the refurbished Sault #3 line will return  
3 the transmission line to an appropriate level of service (having deteriorated as it  
4 approaches its end of life), improve the physical safety and reliability of the line  
5 and increase the line's resilience to more severe weather events including  
6 improved surge and lightning protection via the replacement of shield wire and  
7 structures. Using a conductor size above HOSSM's minimum standard will also  
8 reduce transmission line losses.

9  
10 37. No objections were received from OEB Staff regarding the reliability and quality of  
11 service associated with the Project. Likewise, BFN made no submission, beyond  
12 that discussed in 'Project Need and Alternatives' section above, regarding the  
13 reliability and/or quality of service delivered by the Project.

14  
15 38. When considering HOSSM's 'Need Evidence'<sup>34</sup>, and the conclusions of the IESO's  
16 SIA and HOSSM's CIA<sup>35</sup>, HOSSM submits that the project is in the public interest  
17 and is expected to result in reliability and quality of service benefits to connected  
18 customers in the area, including the BFN's Original Reserve as noted in HOSSM  
19 response to BFN Interrogatory #2<sup>36</sup>.

20  
21 **Land Matters**

22 39. HOSSM will not require any new permanent property rights for this Project as the  
23 line refurbishment work will utilize the existing 115 kV transmission corridor  
24 between Third Line TS and Mackay TS. Should the need arise, further temporary  
25 off-corridor access or construction requirements will be negotiated with affected  
26 landowners. As outlined in HOSSM's response to OEB Staff Interrogatory #2<sup>37</sup>,  
27 HOSSM will reimburse landowners for reasonably incurred legal fees associated  
28 with the review and completion of the necessary land right agreements.

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<sup>34</sup> Exhibit B, Tab 3, Schedule 1, inclusive of Attachments.

<sup>35</sup> OEB Staff Submission, October 24, 2023, p.9.

<sup>36</sup> Exhibit I, Tab 4, Schedule 2, part (5).

<sup>37</sup> Exhibit I, Tab 1, Schedule 2, part (d).

- 1 40. No objections were received from OEB Staff in its submission regarding the  
2 proposed forms of agreements which are generally consistent with the agreements  
3 approved by the OEB in previous proceedings.<sup>38</sup>  
4
- 5 41. BFN submits that HOSSM's response to BFN's Interrogatory #4<sup>39</sup>, with respect to  
6 permits required by BFN for entry and use of land on BFN's Original Reserve, were  
7 non-responsive and inappropriate in the spirit of reconciliation. In response, and to  
8 provide further clarification, HOSSM will not require the use of, or access to, BFN's  
9 Rankin Location 15D reserve lands that have been set apart for the use and benefit  
10 of BFN pursuant to the *Indian Act*. HOSSM's Sault #3 transmission line is situated  
11 on private lands and or on Crown lands that are under the jurisdiction of the  
12 Ministry of Natural Resources and Forestry. For the refurbishment of the Sault #3  
13 line, HOSSM will rely upon the rights that were granted by the applicable  
14 landowner(s) in or around the time the line was constructed. If BFN has lands that  
15 are contemplated for the addition to reserve process HOSSM would negotiate an  
16 *Indian Act* permit, if required. Currently, HOSSM is not aware of any proposed  
17 addition to reserve lands that would be impacted by the Project.  
18
- 19 42. Environmental impacts have been considered through this Project's Class  
20 Environmental Assessment Process. The Project's Environmental Study Report  
21 ("ESR")<sup>40</sup> outlines mitigation measures that will be in place throughout the span of  
22 the Project to ensure there are no significant net adverse environmental impacts  
23 to lands. Section #7 of the Project's ESR outlines the potential environmental  
24 effects and mitigation measures identified for this Project.  
25
- 26 43. BFN suggests there has been inadequate consultation regarding the economic  
27 implications of this Project and a lack of understanding of BFN's unique position in  
28 relation to the Sault #3 line.<sup>41</sup> HOSSM respectfully disagrees, as HOSSM has been  
29 engaging meaningfully and in good faith with BFN since the initial stages of the

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<sup>38</sup> OEB Staff Submission, October 24, 2023, p.10.

<sup>39</sup> Exhibit I, Tab 4, Schedule 4

<sup>40</sup> <https://www.hydroone.com/abouthydroone/CorporateInformation/majorprojects/Sault3/Documents/Sault-3-Transmission-Line-Refurbishment-Project-Final-ESR.pdf>

<sup>41</sup> BFN Submission, October 24, 2023, pp.3-4, Paragraphs 10-11.



1 Project. The Project team has provided the community with meaningful  
2 opportunities to engage, understand, and participate in the Project, which have  
3 included activities such as the following; reviewing field study plans, providing  
4 archeology monitoring opportunities, providing opportunities to review and  
5 contribute to the ESR submission, and offering economic opportunities for the  
6 community's participation (i.e., supplying aggregates; storage space for  
7 machinery). HOSSM is, and remains, committed to engaging meaningfully with  
8 BFN throughout the lifecycle of this Project.

9  
10 44. Socio-economic impacts were evaluated for this Project as part of the Class  
11 Environmental Assessment Process. Section 5.2 in the Project's ESR outlines the  
12 Socio-Economic Environmental factors that were considered. Several in-person  
13 and virtual meetings were held to discuss the Project with BFN. BFN also had the  
14 opportunity to review and provide comments on the draft ESR.

15  
16 *The Perimeter Forest Limited Partnership (PFLP) Request:*

17 45. On October 16, 2023, after the interrogatory stage of the hearing concluded, PFLP  
18 requested clarification regarding an interrogatory response provided by HOSSM,  
19 specifically Exhibit I, Tab 3, Schedule 1, which pertains to HOSSM's intentions  
20 regarding entering into certain agreements.

21  
22 46. OEB Staff noted in its submission that PFLP's request for clarification on the  
23 existing PFLP easement came after the interrogatory stage of the proceeding  
24 concluded, and that the PFLP easement is not within the form of land agreements  
25 for which OEB approval is sought. As such OEB Staff did not comment further  
26 other than to suggest HOSSM may want to address PFLP's clarification request in  
27 HOSSM's reply submission. PFLP's clarification question read as follows:

28  
29 In accordance with the Easement HOSSM was to enter into a  
30 Maintenance and Repair Cost Contribution Agreement with PFLP  
31 but to date this has not been completed. What is HOSSM's intention  
32 and timeline in entering into this agreement with PFLP? <sup>42</sup>

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<sup>42</sup> PFLP's Letter to the OEB, October 16, 2023, p.2.

1 Although PFLP did not provide a submission on this Application and the OEB did  
2 not order a second round of interrogatories in this hearing, HOSSM is providing  
3 the following clarification to assist the Board and intervenor. HOSSM is planning  
4 to use existing roads to access the right-of-way corridor during construction.  
5 HOSSM is currently not certain which specific roads are under the stewardship of  
6 PFLP. From HOSSM's preliminary assessments, it appears that some, or all, of  
7 the Sault #3 tower structures #359 to #519 may be located on PFLP managed  
8 property. HOSSM remains committed to working with PFLP to access its right of  
9 way, in accordance with HOSSM's easement for that right of way and will re-  
10 engage PFLP in discussions to finalize the *Maintenance and Repair Cost*  
11 *Contribution Agreement* in a timely manner so construction activities can be  
12 planned, resources acquired, and construction can begin, assuming HOSSM  
13 receives OEB approval of this Application.

14

15 ***Conditions of Approval***

16 47. In its Submission OEB Staff proposes that the Board's s.92 standard conditions of  
17 approval be placed on HOSSM for the Project.

18

19 48. No other intervenors made any submissions in this area.

20

21 49. HOSSM agrees with OEB Staff that the Board's standard conditions of approval  
22 are sufficient for this Project.

23

24 **CONCLUSION**

25 50. Based on the above demonstrated need, which is supported by the IESO, the  
26 Project is in the public interest and satisfies the OEB's criteria that that the Board  
27 must use when adjudicating an application under s.92, i.e., whether a Project is in  
28 the interests of consumers by adjudicating the project with respect to price,  
29 reliability and quality of electricity service.

- 1 51. Additionally, there is an immediate need to refurbish the Sault #3 line to restore  
2 the de-rated line and facilities to, at a minimum, its original design capacity, and to  
3 reduce the existing heightened reliability risk due to physical age and deterioration.
- 4 52. In assessing the cost-effective opportunities to reduce line losses when replacing  
5 infrastructure, and considering the modest impact to customers, HOSSM submits  
6 the OEB should approve the proposed Project and the Application as filed with the  
7 standard conditions of approval.

8

9 **All of which is respectfully submitted on October 31, 2023.**