



EB-2008-0023

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 or orders granting Leave to
Construct transmission facilities in Norfolk County for the
Vanessa - Norfolk Transmission Reinforcement Project.

BEFORE: Paul Vlahos
Presiding Member

Paul Sommerville
Member

Cathy Spoel
Member

DECISION AND ORDER

1.0 THE APPLICATION

Hydro One Networks Inc. (“Hydro One” or the “Applicant”) has filed an application with the Ontario Energy Board (the “Board”) dated March 13, 2008 under section 92 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B. The Applicant has applied for an order or orders of the Board granting leave to construct transmission facilities for the Vanessa - Norfolk Transmission Reinforcement Project. The work involves reinforcing the existing 12 km 115 kilovolt (“kV”) single-circuit transmission line in Norfolk County between Vanessa Junction and Norfolk Transformer Station by:

- replacing the existing conductors with higher capacity conductors;

- installing a new set of conductors to establish a second 115 kV circuit on the existing structures; and
- constructing a short (20 metre) line tap to connect Bloomsburg Municipal Transformer Station to the 115 kV line.

(collectively, the "Project")

The proposed in-service date for the Project is April 2009.

The Board has assigned File No. EB-2008-0023 to this application.

2.0 THE PROCEEDING

The Board issued a Notice of Application and Hearing on March 28, 2008. The Notice was published and served by the Applicant as directed by the Board. Two parties were granted intervenor status in this proceeding: (i) the Independent Electricity System Operator (the "IESO"); and (ii) property owners Allan and Carol Skoblenick.

The Board has proceeded with this application by way of a written hearing.

Board staff issued written interrogatories on May 23, 2008. No other party submitted interrogatories. Responses to the interrogatories were filed by Hydro One on June 2, 2008. On July 4, 2008, the Board issued a letter to Hydro One requesting clarification and additional information pertaining to Hydro One's responses to Board staff interrogatories as well as other evidence on the record. Hydro One filed its response on July 18, 2008.

3.0 THE PUBLIC INTEREST TEST

Section 96(1) of the Act provides that if, after considering an application under section 92 of the Act, the Board is of the opinion that a proposed work is in the public interest, then the Board shall make an order granting leave to carry out the work.

In the context of this Application, the main issues for the Board are as follows:

- Is the Project needed and have appropriate alternatives been considered?
- Have the cost responsibility principles set out in the Transmission System Code been appropriately interpreted and applied?
- What impact will the Project have on transmission rates?

- What impact will the Project have on reliability of supply?
- Have the Environmental Assessment requirements been met?
- Have the land-related matters been addressed?
- Have consultations with Aboriginal Peoples been conducted appropriately?

Each of these issues is considered below.

3.1 Project Need and Alternatives Considered

Hydro One stated that this is a non-discretionary transmission project, as that term is used in the Board's Filing Requirements for Transmission and Distribution Applications, because it allows Hydro One:

- to satisfy reliability standards and guidelines within a specified operating timeframe; and
- to address near-term equipment or facility loading or ratings when their capacities are, or are about to be, exceeded.

Based on Hydro One's evidence, the Project is needed to: (i) increase the capacity of the existing Vanessa Junction to Norfolk TS 115 kV line in order to meet the forecast load on the line; and (ii) improve reliability of supply by making available a second circuit in the event that one of the circuits is out of service.

Hydro One submitted that it undertook a study in 1998 to develop a long term plan for electricity supply in Norfolk County. Three alternatives were considered and the alternative chosen was to install a 230-115 kV autotransformer station at Caledonia TS to establish a new source of 115 kV supply in the area and refurbish existing 115 kV lines as needed. Much of the work for the preferred alternative, including the provision for a second 115 kV circuit on the Vanessa Junction to Norfolk TS line has been completed since 1998. The Project is the next and final stage to implement the preferred alternative.

Hydro One considers the Project to be superior to any other reasonable option since those alternatives would involve a new greenfield right-of-way or conversion of the existing 115 kV line and Stations to 230 kV supply at significantly higher cost.

The Board accepts Hydro One's evidence that the Project is needed and that it is the best alternative to fulfill the need, especially considering that much of the work related to installation of the second circuit has already been carried out.

3.2 Cost Responsibility

Hydro One's pre-filed evidence indicates that the total cost of the Project is estimated to be \$3,580,000 broken down as follows:

(i) Transmission Line Facilities:	
(a) Upgrading Existing Circuit	\$ 1,097,000
(b) Adding New Circuit	\$ 1,695,000
(ii) Station and Telecommunication Facilities:	\$ 447,000
(iii) Line Tap to Bloomsburg MTS and Associated Facilities	\$ 341,000
	\$ 3,580,000

Hydro One submitted that:

- The proposed line facilities, (i)(a) and (i)(b), are considered line connection assets and will be included in the Line Connection Pool. The cost for (i)(a) was assigned to customers for cost responsibility purposes and the cost for (i)(b) was assigned to the Line Connection Pool for cost responsibility purposes.
- The proposed transformation assets (ii) will be included in the Transformation Connection Pool. These costs are assigned to customers for cost responsibility purposes.
- The line tap to Bloomsburg MTS and associated facilities (iii) will be funded 100% by Norfolk Power.

Hydro One submitted that its proposal to assign the cost of the addition of a new circuit (item (i)(b) above) to the Line Connection Pool is consistent with section 6.3.6 of the Transmission System Code, which states that a transmitter is obligated to

“develop and maintain plans to meet load growth and maintain the reliability and integrity of its transmission system. The transmitter shall not

require a customer to make a capital contribution for a connection facility that was otherwise planned by the transmitter, except for advancement costs.”

Hydro One further explained that the Vanessa to Norfolk transmission reinforcement project, including provision of a second circuit, was originally included in Ontario Hydro’s plans in the late 1990’s and that, in 1999, the existing Vanessa to Norfolk transmission line was re-built to accommodate a second circuit, at a cost of approximately \$4.2 million. Hydro One also submitted that the plan to add a second circuit was initiated by Hydro One and not based on a request from Norfolk Hydro.

Hydro One carried out a 25-year Discounted Cash Flow (DCF) calculation for each pool based on the economic evaluation requirements of the Transmission System Code and the above-noted cost responsibility allocations. The results of the DCF analysis show that the customer capital contribution amounts (rounded) are:

- Transmission Line Facilities	\$ 0.5 million
- Station and Telecommunication Facilities:	\$ 0
- Line Tap to Bloomsburg MTS and Associated Facilities	\$ 0.4 million
Total customer contributions	\$ 0.9 million

The Board accepts Hydro One’s evidence that the proposed cost responsibility for the Project is appropriate and consistent with Section 6.3.6 of the Transmission System Code.

More specifically, the Board accepts Hydro One’s determination that the proposed new circuit from Vanessa Junction to Norfolk TS is a “connection facility that was otherwise planned by the transmitter” and as such the transmitter shall not require a customer to make a capital contribution for that facility, in accordance with Section 6.3.6 of the Transmission System Code.

3.3 Impact on Transmission Rates

Hydro One submitted that the Project will not affect the Network Pool revenue requirement and that there would be only minor changes in the Line Connection Pool revenue requirement and the Transformation Connection Pool revenue requirement.

The Board accepts Hydro One's submission that there would be no impacts in the Network Pool revenue requirement and only minor changes in the Line and Transformation Connection Pool revenue requirements.

3.4 Reliability and Quality of Service

System Impact Assessment ("SIA"): The evidence includes two SIAs carried out by the IESO related to the Project - one dated November 12, 2002 and the other dated January 18, 2008. The IESO supports the Project and concludes that the proposed facilities will result in an improved level of load supply reliability to the Norfolk TS connected customers. Hydro One submitted that the IESO's connection requirements will be implemented.

Customer Impact Assessment ("CIA"): Hydro One did not file a CIA for the Project. In its pre-filed evidence and responses to interrogatories, it submitted that a CIA is not required for the Project since the addition of the second circuit does not negatively impact the customers.

The Board notes that Section 6.4.3 of the Transmission System Code as well as Section 2.4 of the Transmission Connection Procedures state that a CIA is required in cases where an SIA is required.

The Board therefore concludes that a CIA is required for the Project and that Hydro One must carry out the CIA prior to commencing construction of the Project.

3.5 Environmental Assessment

Hydro One advised that the Project falls within the definition of the projects covered by the Class Environmental Assessment for Minor Transmission Facilities ("Class EA"), under the Ontario *Environmental Assessment Act*. Hydro One submitted that, in accordance with the Class EA process, it completed and filed an Environmental Study Report in March 1999 with the Ministry of the Environment in relation to the upgrading of the existing 115 kV line from Vanessa Junction to Norfolk TS.

Hydro One further submitted that, for due diligence purposes, it has completed an environmental screening which included updating of existing data bases and a field visit. The screening report was provided to the Ministry of the Environment on January 8, 2008 and there have been no concerns expressed by the Ministry.

The Board accepts Hydro One's submission that it has fulfilled the requirements of the *Ontario Environmental Assessment Act* for the Project.

3.6 Land Matters

Hydro One submitted that it will be using its existing land rights along the corridor from Vanessa Junction to Norfolk TS, and no additional land rights are expected to be required. Temporary access rights may be required.

Hydro One also submitted that it provided landowner intervenors Allan and Carol Skoblenick, who own a farm through which the transmission line passes, with a copy of the application and evidence for this case and that no further inquiries have been received from the Skoblenicks.

Hydro One further submitted that its Property Agent, as a representative of Hydro One, will, as part of the owner contact program, advise affected landowners of the construction timing and advise them to call the Property Agent if they have any questions concerning the Project.

Furthermore, Hydro One submitted that it will make every attempt to minimize any damage to the property of landowners and will fully compensate landowners if damage does occur.

The Board is satisfied that Hydro One has appropriately addressed the land-related matters.

3.7 Aboriginal Peoples Consultations

Hydro One submitted that it identified the following five Aboriginal groups that may be affected by the Project: the Six Nations of the Grand River; the Mississaugas of the New Credit River Nation; the Chippewas of the Thames Nation; the Oneida Nation of the Thames; and the Munsee-Delaware Nation.

Hydro One has contacted in writing the five Aboriginal groups that may be potentially affected or have an interest in the Project. The letters to the first four groups were sent on January 31, 2008 and the letter to the last group was sent on May 30, 2008.

The Six Nations of the Grand River (“Six Nations”) responded by a letter dated May 20, 2008. The letter mentions their treaty rights with the Province of Ontario but adds no specific comments with respect to the Project.

Hydro One submitted that there was no response from the other four Aboriginal groups and, during May and June 2008, Hydro One made follow-up calls with them. In all cases the Chiefs were not available and detailed messages were left but no responses have been received to date.

The Board accepts Hydro One’s evidence that it has taken appropriate steps with respect to Aboriginal Peoples consultations and concludes that the steps taken are in line with existing Board guidelines for such consultations.

4.0 CONCLUSION

Based on the evidence provided and the above findings, the Board has determined that the Project is in the public interest and that, in accordance with Section 96(1) of the Act, an order granting leave to construct the Project should be made.

THE BOARD THEREFORE ORDERS THAT:

Hydro One Networks Inc. is granted leave to construct facilities associated with the Vanessa to Norfolk Transmission Reinforcement Project which include:

- replacing the existing conductors with higher capacity conductors;
- installing a new set of conductors to establish a second 115 kV circuit on the existing structures; and
- constructing a short line tap to connect Bloomsburg Municipal Transformer Station to the 115 kV line.

This approval is subject to the Conditions of Approval set forth in Appendix A to this Order.

DATED at Toronto, August 14, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
TO BOARD DECISION AND ORDER
IN THE MATTER OF EB-2008-0023
DATED AUGUST 14, 2008

CONDITIONS OF APPROVAL

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EB-2008-0023

HYDRO ONE NETWORKS INC.

VANESSA - NORFOLK TRANSMISSION REINFORCEMENT PROJECT

1.0 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, 2009, unless construction has commenced prior to that date.
- 1.3 Except as modified by this Order, Hydro one shall implement all the recommendations of the Environmental Study Report that has been prepared for the Project.
- 1.4 Hydro One shall satisfy the Independent Electricity System Operator ("IESO") requirements and recommendations as reflected in the System Impact Assessment documents dated November 12, 2002, and January 18, 2008 and such further and other conditions which may be imposed by the IESO.
- 1.5 Hydro One shall, prior to the start of construction, carry out a Customer Impact Assessment ("CIA") in accordance with Section 6.4 of the Transmission System Code and Section 2.4 of Hydro One's Transmission Connection Procedures. Hydro One shall address any requirements identified in the System Impact Assessment in accordance with the process set out in the Transmission System Code and Hydro One's Transmission Connection Procedures. Hydro One shall send a copy of the CIA report to the Board's designated representative immediately upon completion of the report.
- 1.6 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.

- 1.7 Hydro One shall obtain all necessary approvals, permits, licences, certificates and easement rights required to construct, operate and maintain the Project and shall provide copies of all such written approvals, permits, licences and certificates upon the Board's request.

2.0 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.

3.0 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 complaints related to construction that have been received. The log shall record the person making the complaint, the times of all complaints received, the substance of each complaint, the actions taken in response, 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.

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.

4.0 ENVIRONMENTAL ASSESSMENT ACT REQUIREMENTS

4.1 Hydro One shall comply with any and all requirements of the Environmental Assessment Act relevant to this application.