

August 30, 2016

Project No. 1700

FortisAlberta Inc.
15 Kingsview Rd SE
Airdrie, AB T4A 0A8

Attention: Zurex Fontanilla, P.Eng. – Senior Distribution Planning Engineer

Dear Mr. Fontanilla:

RE: Approval by the Independent System Operator, operating as the Alberta Electric System Operator (“AESO”) under Section 501.3 of the ISO Rules *Abbreviated Needs Approval Process* (“ANAP Rule”) for the Lac La Biche 157S Substation Upgrade – AESO Project No. 1700

On September 10, 2015, FortisAlberta Inc. (“FortisAlberta”) submitted a request for system access service (“SASR”) to the AESO to meet distribution reliability criteria in the Lac La Biche area (AESO Planning Area 27, Lac La Biche).

For the reasons set out below, the AESO has decided to approve the transmission development required to respond to the SASR under the AESO’s abbreviated needs approval process (“ANAP”).

BACKGROUND

As described in the SASR and accompanying documents, FortisAlberta has identified distribution system reliability concerns in the Lac La Biche area. In the event of an outage to the Lac La Biche 157S substation transformer, T1, or the voltage regulator, VR1, part of the load served by the Lac La Biche 157S substation will be left unsupplied. FortisAlberta is requesting the addition of transmission facilities to address this distribution system reliability concern.

The SASR does not involve any change to FortisAlberta’s existing Rate DTS, *Demand Transmission Service* contract capacity.

The AESO has collaborated with FortisAlberta and AltaLink Management Ltd. (“AltaLink”), in its capacity as general partner of AltaLink, L.P., and determined that the SASR can be addressed through upgrades to the Lac La Biche 157S substation, comprised of the following elements:

- (a) add a 138/25 kV transformer rated with a minimum capacity of 15 MVA;
- (b) add a 138 kV circuit breaker;

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- (c) add a 25 kV circuit breaker; and
- (d) modify, alter, add or remove equipment, including switchgear, and any operational protections, control and telecommunication devices required to undertake the work as planned and ensure proper integration with the transmission system.

(collectively, the “Transmission Development”).

Pursuant to Section 39 of the *Electric Utilities Act*, the AESO directed AltaLink as the legal owner of transmission facilities in the area:

- (a) to prepare a cost estimate for the Transmission Development. In the cost estimate, AltaLink estimated the in-service cost of the Transmission Development to be approximately \$4 Million;¹
- (b) to notify stakeholders of the need to respond to the SASR (“AESO Notification”), as part of the participant involvement program (“PIP”) carried out by AltaLink. AltaLink was also directed to provide the AESO with a report, (i) listing all of the stakeholders that received the AESO Notification, together with the date of such notification, and (ii) summarizing the PIP that was carried out by AltaLink. In AltaLink’s PIP report, AltaLink confirmed that the AESO Notification was sent to occupants, residents, landowners, government bodies, agencies and stakeholder groups and that no concerns or objections were raised by any stakeholders about the need for the Transmission Development; and
- (c) subject to the issuance by the AESO of this approval letter, to proceed to obtain all approval(s) required from the Alberta Utilities Commission to construct and operate the transmission facilities required for the Transmission Development.

Further, in considering whether to approve the Transmission Development under the ANAP, and in accordance with Section 3 of the ANAP Rule, the AESO:

- (a) reviewed the last five-year recorded and 10-year forecast peak substation load for the points of delivery identified in the Need for Development submitted to the AESO by FortisAlberta;
- (b) assessed transmission system performance prior to and following the Transmission Development, by way of short-circuit analysis only. As noted above, there is no DTS contract

¹ The TFO’s cost estimate is in nominal dollars using a base year of 2016 with escalation considered. Further details of this cost estimate, which has an accuracy level of +20%/-10%, can be found in the TFO Capital Cost Estimate, provided under separate cover.

capacity increase associated with the SASR; therefore, a detailed connection assessment was not required;

- (c) determined that the Transmission Development is the only reasonable and viable alternative to respond to the SASR; and
- (d) notified stakeholders of the need to respond to the SASR, as part of the PIP carried out by the AESO.

ELIGIBILITY AND APPROVAL

In accordance with Section 2 of the ANAP Rule, the AESO has determined that the Transmission Development is eligible for approval under the ANAP.

The AESO has further determined that:

- (a) FortisAlberta has made all appropriate applications to the AESO to obtain the system access service requested in the SASR;
- (b) the Transmission Development will provide FortisAlberta with a reasonable opportunity to exchange electricity and ancillary services; and
- (c) the Transmission Development will properly respond to FortisAlberta's SASR.

Accordingly, and pursuant to Section 4(a) of the ANAP Rule, the AESO approves the Transmission Development under the ANAP ("Approval").

SUPPORTING DOCUMENTATION

The AESO prepared or reviewed the following documents in support of the Approval, which will be available at www.aeso.ca/nid:

- (a) *Need for Development Lac La Biche 157S Upgrade*, submitted by FortisAlberta;
- (b) TFO Capital Cost Estimate, submitted by AltaLink;
- (c) the AESO's summary of the PIP carried out by AltaLink and the AESO;
- (d) confirmation from AltaLink regarding AltaLink's assessment of Land Use and Environmental Aspects; and
- (e) the AESO's Functional Specification – *Fortis Lac La Biche 157S Upgrade*.

Should you have any questions regarding this approval letter, please contact Brenda Hill, Regulatory Coordinator, at 403-539-2850 or brenda.hill@aeso.ca.

Sincerely,

“original signed-by”

Heidi Kirrmaier – Vice President, Regulatory on behalf of
Greg Retzer
Vice-President, Transmission Projects

cc: AltaLink