

October 12, 2018

Project No. 2023

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

Attention: Zurex Fontanilla

Dear Mr. Fontanilla,

RE: Approval by the Independent System Operator, operating as the Alberta Electric System Operator (the “AESO”) under Section 501.3 of the ISO Rules, *Abbreviated Needs Approval Process*, (the “ANAP Rule”) for the Mount Allan 115S Substation Upgrade – Project No. 2023

1. On November 22, 2017, FortisAlberta Inc. (“FortisAlberta”), as the legal owner of an electric distribution system (“DFO”), submitted a system access service request (“SASR”) to the AESO to reliably serve growing demand for electricity in the Kananaskis Village area (AESO Planning Area 44, Seebe).
2. 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

3. As described in the Need for Development report that accompanied FortisAlberta’s SASR,¹ FortisAlberta identified existing distribution system reliability concerns in the Kananaskis area. FortisAlberta determined that, in the event of a single contingency (N-1) event affecting the regulator at the Mount Allan 115S substation, a portion of the load served by the existing Mount Allan 115S substation could be left unsupplied, which violates FortiaAlberta’s planning criteria for electrical load restoration. FortisAlberta predicts the amount of unsupplied load to increase due to load growth.
4. FortisAlberta’s SASR included a Rate DTS, *Demand Transmission Service*, contract capacity increase at the existing Mount Allan 115S substation of 4.6 MW, from 3.1 MW to 7.7 MW.
5. As described in greater detail below, the AESO has consulted with FortisAlberta, in its capacity as the DFO, and AltaLink Management Ltd. (“AltaLink”), in its capacity as the legal owner of transmission facilities (“TFO”) in the area, to determine that the SASR can be addressed by the following transmission development:
 - (a) Upgrade the existing Mount Allan 115S substation, including replacing one existing 138/25 kilovolt (kV) transformer with a 138/25 kV transformer of higher capacity and adding two 138 kV circuit breakers; and

¹ The DFO’s Need for Development , Kananaskis Area Upgrades is available on the AESO website.

- (b) 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 system²

(collectively, the “Transmission Development”).

6. Pursuant to Section 39 of the *Electric Utilities Act*, the AESO directed AltaLink as the TFO in the area:

- (a) To prepare cost estimates for the Transmission Development (“TFO Capital Cost Estimate”). In the TFO Capital Cost Estimate, AltaLink estimated the in-service cost of the Transmission Development to be approximately \$ 5 million;³
- (b) To notify stakeholders of the need to respond to the SASR (“AESO Notification”) on behalf of the AESO, 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 stakeholders within 200 metres of the Mount Allan 115S substation and other interested parties identified by AltaLink. AltaLink confirmed that no concerns or objections were raised by any stakeholders about the need for this Project or the proposed transmission development to meet the need; 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.

7. Further, in considering whether to approve the Transmission Development under the ANAP, and in accordance with subsection 3(3) of the ANAP Rule, the AESO:

- (a) Assessed the record of the last five-year recorded peak substation loads applicable to the development area, which were identified in the Need for Development submitted to the AESO by FortisAlberta;
- (b) Performed a comparison, in consultation with FortisAlberta, in its capacity as the DFO and AltaLink, in its capacity as the TFO, of the options considered to respond to the SASR, and determined that the Transmission Development is the AESO’s preferred option;

² Details and configuration of equipment required for the Transmission Development, including substation single-line diagrams, are more specifically described in the AESO Functional Specification, which is available on the AESO website.

³ The TFO’s cost estimate is in nominal dollars using a base year of 2018 with escalation considered. Further details of this cost estimate, which has an accuracy level of $\pm 30\%$, can be found in the TFO Capital Cost Estimate, which is available on the AESO website.

- (c) Assessed transmission system performance prior to and following the Transmission Development, by way of engineering connection studies in accordance with reliability standards;⁴
 - (d) Obtained and reviewed a summary of the environmental and land use effects of the Transmission Development from AltaLink;⁵
 - (e) Obtained and reviewed the TFO Capital Cost Estimate of the Transmission Development; and
 - (f) Obtained and reviewed an implementation schedule for the Transmission Development from AltaLink.
8. In considering whether to approve the Transmission Development under the ANAP, and in accordance with subsections 3(1) and 3(2) of the ANAP Rule, the AESO:
- (a) Notified stakeholders of the need to respond to the SASR in accordance with the PIP requirements for needs identification documents set out in Appendix A2 of Alberta Utilities Commission Rule 007: *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Developments*, as part of the PIP carried out by AltaLink on behalf of the AESO, and by posting the AESO Notification to the AESO's website and in the AESO's Stakeholder Newsletter on July 10, 2018;
 - (b) Provided fourteen days' notice, by way of a posting to the AESO website, of the ISO's intention to consider the Mount Allan 115S Substation Upgrade for approval under the ANAP Rule and supporting documents on September 25, 2018; and
 - (c) Determined that there are no concerns or objections with the need for the Mount Allan 115S Substation Upgrade that have not been resolved. During the PIP, one stakeholder contacted the AESO to inquire about the Mount Allan 115S substation loading and project costs. The AESO responded to all questions raised by this stakeholder.

ELIGIBILITY AND APPROVAL

9. In accordance with subsection 2(a) of the ANAP Rule, the AESO has determined that the Transmission Development is eligible for approval under the ANAP.
10. 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;

⁴ The engineering connection studies can be found in the Engineering Connection Assessment FortisAlberta Kananaskis Area Reliability, which is available on the AESO website.

⁵ The TFO Environmental and Land Use Confirmation Letter is available on the AESO website.

- (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.
11. Pursuant to subsection 4(1) of the ANAP Rule, the AESO approves the Transmission Development under the ANAP ("Approval").
12. The AESO may cancel or amend this Approval if the Transmission Development is not in service by May 1, 2020, which is six months following the scheduled in-service date of November 1, 2019.
13. The AESO prepared or reviewed the following documents in support of the Approval, which are available at <https://www.aeso.ca/grid/projects/mount-allan-115s-substation-upgrade>:
- (a) Need for Development *Kananaskis Area Upgrades*, prepared by FortisAlberta, for the Project;
 - (b) Engineering Connection Assessment *FortisAlberta Kananaskis Area Reliability*, prepared by AltaLink Management Ltd. and the AESO;
 - (c) TFO Capital Cost Estimate, prepared by AltaLink for the Project;
 - (d) A summary of the PIP carried out by AltaLink and the AESO, prepared by the AESO;
 - (e) Confirmation by AltaLink of its assessment of land use and environmental effects for the Project, prepared by AltaLink, for the Project; and
 - (f) AESO Functional Specification — *FortisAlberta Kananaskis Area Reliability Project*, prepared by the AESO.

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,

Jerry Mossing
Vice-President, Transmission

Cc: Andrew Smith, Project Manager, Project Development, AltaLink Management Ltd.