

# West Edmonton Transmission Upgrade Project

(S. Hamilton)

## Recommendation

1. That the January 18, 2021, Financial and Corporate Services report FCS00109, be received for information.
2. That Attachment 2 of the January 18, 2021, Financial and Corporate Services report FCS00109, remain private pursuant to section 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

## Previous Council/Committee Action

At the October 1, 2020, Executive Committee Meeting, Councillor S. Hamilton made the following inquiry:

Can Administration please provide the following in a brief report to Executive Committee:

- What would be the approximate cost to run the 156 Street segment of the West Edmonton Transmission Upgrade Project below ground?
- Is there precedent for the City of Edmonton stepping in and providing additional funding for a utility project to meet a higher standard than required by an Alberta Utilities Commission ruling?

## Executive Summary

The planned West Edmonton Transmission Upgrade Project (WETUP) will help meet the growing demand for electricity in west Edmonton. Community members near the project route, some of whom participated in the regulatory review by the Alberta Utilities Commission, have expressed concerns about the planned overhead transmission lines in the residential area. Changing the overhead configuration of the 156 Street portion from the Meadowlark Substation to Whitemud Drive to underground would cost an additional \$2.9 million (+/- 30 percent based on a preliminary assessment). In addition, the City would be responsible for costs of construction incurred to date for the current overhead configuration that cannot be used in the underground option.

In its March 2020 decision, the Alberta Utilities Commission noted that in the event that the City of Edmonton is prepared to fund the incremental costs to bury any part of the proposed line, the Commission would consider such an application under Section 17

of the *Hydro and Electric Energy Act*. Administration found no precedent for the City of Edmonton funding utility projects for underground (vs above ground) routing through a separate application to the Alberta Utilities Commission. The City has previously expended internal resources and expert resources to intervene in other, similar hearings in support of underground lines, but were not successful, and did not make a separate application under the *Hydro & Electric Energy Act* to pay for the incremental cost of burying the lines. City funding for the WETUP would present a number of issues, including fairness for other taxpayers, opportunity cost for other budget priorities, and setting a precedent for future requests.

### Report

The regulation of electrical transmission is done through the Alberta Utilities Commission (AUC). The AUC's mandate is to review applications to protect social, economic and environmental interests of Alberta. The need for the West Edmonton Transmission Upgrade Project was approved by AUC on March 12, 2020 and is expected to be completed in fall 2021. In its decision, the AUC noted the project's importance to meet customer needs, and that construction of the transmission line in an overhead configuration is in the public interest, having reviewed the social and economic effects of the project, and its effect on the environment.

### Transmission Upgrade Project Costs

The West Edmonton Transmission Upgrade Project (WETUP) is required to meet growing demand for electricity in the west Edmonton area. The project consists of a new 72 kV transmission line between the existing Poundmaker and Meadowlark substations, as well as a new fibre optic line between those substations for communication purposes. The Project also includes alterations at the Poundmaker, Meadowlark, and Garneau substations. The upgrade project is divided into various segments between the substations. All segments are outlined in the map in Attachment 1.

EPCOR Distribution and Transmission Inc. has stated its practice is to propose overhead transmission lines unless an underground option is warranted given consideration to the Alberta Utilities Commission Act. Factors include:

- Relative cost (underground configuration substantially more expensive)
- Availability of physical space and land
- Electrical and operational clearances for overhead
- Technical constraints with overhead
- Incremental stakeholder impacts

After considering the factors above, EPCOR Distribution and Transmission Inc. concluded an overhead configuration for the WETUP would be the alternative with the lowest overall impact and therefore, took that option forward to the AUC. In response

to the stakeholder feedback, EPCOR Distribution and Transmission Inc. also provided the Commission and intervenors with estimates of the additional costs required to construct the line underground so that this alternative could be considered in the regulatory proceedings.

As per the Council inquiry, the segment from the Meadowlark Substation (“segment A”) along 156 Street to Whitemud Drive, is 830 meters in length. The additional cost required to construct the line underground would be \$2.9 million. This amount is based on a preliminary assessment conducted in 2019, and is subject to a variance of +/- 30 percent. This amount may increase further due to spacing constraints introduced by the new utilities installed in the 156 street road alignment since 2019. In addition, because the project is currently underway, the City would be responsible for costs of the overhead configuration that cannot be used in the underground option.

The cost to bury “segment B”, the route planned in a residential alleyway along Whitemud Drive, between 156 Street and 170 Street, is approximately \$6.1 million. The cumulative costs for burying both segments is an additional \$9 million (+/- 30 percent).

The March 12, 2020 ruling by the AUC stated (para 470) that the incremental impacts of the overhead preferred route were not significant and are mitigated by the use of the Transportation Utility Corridor (TUC) and existing linear infrastructure, such as Whitemud Drive and existing distribution lines, finding that these incremental impacts are not significant enough to warrant the costs of undergrounding all or any part of the transmission line. The AUC then acknowledged the City of Edmonton’s Bylaw 15100 and indicated that the City could apply under Section 17 of the *Hydro and Electric Energy Act* should the City be “prepared to fund the incremental costs to bury any part of the proposed line”.

The AUC considered the visual impact of overhead lines as well as property value, health and safety and environmental considerations in arriving at its decision that the preferred route, in the overhead configuration, was in the public interest.

### **Implications of City Funding Underground Lines**

To Administration’s knowledge, there is no precedent for the City to contribute to a utility project to construct it with a different configuration than that accepted by the AUC. It is a City principle, reflected in policy, that utility projects are paid through customer rates, and not subsidized through tax levy funding.

If the City of Edmonton proposed paying the additional cost to construct the WETUP lines underground, there would be a number of potential implications or risks:

- All taxpayers across Edmonton would be paying for the additional costs.

- Using City funding represents an opportunity cost for other services or projects in Edmonton that may provide a greater benefit to a larger number of residents. Since underground lines are not required for technical, safety, social, environmental or economic reasons, using a prioritized budget approach, funding for the lines would not be a high priority.
- Electrical distribution and transmission lines are not City property. The incremental cost to place them underground would not meet the definition of a tangible capital asset.
- Even if the City identified funding to pay for underground lines, the decision as to whether the line is constructed underground remains with the AUC. An application to AUC based on the City's willingness to fund a different configuration would be required, but there would be no obligation for the AUC to accept the City's application.
- The AUC rule requiring that all potentially directly and adversely affected persons receive notice of the change to the project would apply to this City application.
- If the AUC approved the application to have this line or part of this line moved underground, this would set new community expectations and many similar requests would be likely in the future.

Administration has also completed preliminary research into the possibility of using a local improvement model to fund the additional cost of moving the lines underground. The provincial local improvement regulation allows municipalities to finance infrastructure or physical asset improvements over their useful life by charging back the cost to the properties that benefit. However, the local improvement tool has not been applied in electricity utility cases like this previously, and it would be difficult to define which properties in the area benefit. Another challenge is that the power lines are EPCOR's assets, not the City's, so it is possible the project would not qualify under local improvement legislation. Private Attachment 2 includes more information on this.

### **Public Engagement**

The AUC must consider the public interest in exercising its authority to decide whether there is need for an applied for facility or line, the location of the facility or line and how the facility or line is to be constructed.

In this hearing, the AUC heard from six different intervenor groups, representing more than 150 members of Edmonton's public. Four of those intervenor groups were focussed on advocating for different routing and configuration options. Specifics are included in Attachment 3.

**Municipal Development Plan Advocacy**

*The Way We Grow*, Edmonton's Municipal Development Plan (MDP), also known as Bylaw 15100, was the City's 10-year strategic growth and development plan, adopted by bylaw in May 2010. Section 9.6 of that document stated the following policies:

- 9.6.1 Promote citizens' quality of life in the planning and development of high voltage transmission lines.
  - 9.6.1.1 Represent the interests of citizens through consultation with electrical energy suppliers and providers, other jurisdictions and industry operators as they plan high voltage transmission lines, and if necessary, intervene with the regulators.
  - 9.6.1.2 Advocate that high voltage transmission lines be buried when adjacent to residential neighbourhoods.

As the MDP is the City's plan, EPCOR is not bound by it. Further, the MDP is not binding as per section 637 of the *Municipal Government Act*. However, with Council direction prior to the AUC deadline in January 2019, the City could have registered as an intervener in the AUC hearings. The AUC process does not include providing notice directly to the municipality within which an application has been submitted.

City Administration did not receive instructions to intervene in this matter. When Councillor Knack brought this matter up in June 2019 the public information available on timelines set out by the AUC to intervene had passed by several months (January, 2019). Councillor Knack withdrew his motion.

Based on the decision of the AUC, the City does have an opportunity, if it wants, to apply under section 17 of the *Hydro and Electric Energy Act* to have all or part of the line buried. However that is contingent on the City choosing to fund the incremental costs to bury any part of the proposed line.

**Legal Implications**

Legal implications of this inquiry are outlined in private Attachment 2.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): The City of Edmonton has a resilient financial position</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>

The City of Edmonton has a resilient financial position.	Budget adjustments result in the same or lower approved tax rate increase.	TBD	0% (2021)
--	--	-----	-----------

**Attachments**

1. Route Segment Costs to Underground (+/- 30%)
2. Legal Services Advice - Private
3. Legal Services Information

**Others Reviewing this Report**

- G. Cebryk, Deputy City Manager, City Operations
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor