

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** sections 70 and 78 of the *Ontario Energy Board Act, 1998*;

**AND IN THE MATTER OF** A Board-initiated proceeding to designate an electricity transmitter to undertake development work for a new electricity transmission line between Northeast and Northwest Ontario: the East-West Tie Line.

**UPPER CANADA TRANSMISSION, INC. (UCT)**

**UCT Proposed Interrogatories**

**General**

1. Part 8 (Costs) of the Filing Requirements specified in Phase 1 directs applicants to file a cost summary for their respective proposals, broken down into development, construction and O&M costs, with development costs further broken down into 5 categories as specified in section 8.2 of the Filing Requirements.

Having reviewed the extensive and detailed applications filed, UCT suggests that comparison between the proposals submitted and evaluation of their apparent differences would be enhanced with some additional cost breakdown.

To minimize the effort required in restating cost forecasts, the following list of cost categories focuses on costs which are most directly controllable by the transmitter and/or most directly a function of the nature and scope of each transmitter's proposal.

To enhance comparability, the following assumptions should be used in restating costs, as these parameters will be generally the same whichever transmitter is designated:

- a. All figures should be stated in 2012 dollars, without escalation in labour, materials or other costs.
- b. Direct and indirect payments related to First Nation and Métis participation and/or impact mitigation should be excluded.
- c. Taxes and duties should be excluded.
- d. Costs associated with AFUDC, IDC or CWIP should be excluded.
- e. Legal, administrative, and other overhead costs related to these excluded categories should also be excluded.

The Board should consider requesting applicants to provide a restated costs breakdown, as follows:

### **Development Phase**

- a. Costs for permitting, licensing and environmental approvals activities and fees.
- b. Costs for engineering, design and procurement activities.
- c. Material and equipment costs.
- d. Costs for landowner consultation and land acquisition activities.
- e. Land option costs.
- f. Land acquisition costs (in addition to land option costs).
- g. Costs for First Nation and Métis, community and other stakeholder consultation activities (but not including costs associated with First Nation and Métis participation or impact mitigation).
- h. Any other significant development phase costs with descriptions of the types and amounts of costs included, by general category.

## **Construction Phase**

- a. Costs for permitting, licensing and environmental approvals activities and fees, and not included in Development Phase costs.
- b. Costs for engineering, design and procurement activities, and not included in Development Phase costs.
- c. Material and equipment costs not included in Development Phase costs.
- d. Costs for landowner consultation and land acquisition activities, not included in Development Phase costs.
- e. Land option costs, not included in Development Phase costs.
- f. Land acquisition costs (in addition to land option costs), not included in Development Phase costs.
- g. Incremental costs relative to the applicant's filed costs to achieve an in service date of December 2017.
- h. Construction cost contingency.
- i. Any other significant construction phase costs with descriptions of the types and amounts of costs included, by general category.

## **Operation Phase**

- a. Operation and maintenance costs, listed by major activity.
- b. Administrative and general costs.
- c. Regulatory costs.

The Board should specify its expectation that while costs may be reaggregated into the specified categories, it expects that applicants will not alter their as-filed overall projections, and each applicant should so confirm in its response.

Applicants should be asked to reconcile each of the development, construction and operation phases totals produced in response to the above with the total costs for each

of these phases put forward by the applicant for their proposed/preferred plan, which reconciliation describes and quantifies each reconciling element.

### **Questions for EWT LP**

1. [Reference: EWT Application, Part C, page 3] EWT LP emphasizes the choice of the Participating First Nations *“to organize as BLP and to be an equal partner in EWT LP”*.

EWT LP further states: *“In asserting their desire to participate in both the governance and economics of the Project, the Participating First Nations selected their partners and developed a partnership based on trust, respect and equality. Such a relationship cannot be replicated without first taking the time necessary to establish mutual trust and respect;...”*

To better understand the nature, origin and uniqueness of the asserted relationships, EWT should be asked to:

- a. Provide the date upon which EWT LP was formally constituted.
  - b. Provide a timeline reflecting discussions between Hydro One and/or Great Lakes Power Transmission and any of the Participating First Nations regarding the East-West Tie Line (whether regarding the East-West Tie Line in isolation or as part of discussion of a broader group of Ontario transmission initiatives or plans).
2. [Reference: EWT Application, Part C, page 1, for example.] EWT LP states that it *“was purposefully formed to bring together: the six First Nation communities most directly affected by the development of the Project (the “Participating First Nations”), through their partnership in Bamkushwada LP (“BLP”), Great Lakes Power Transmission EWT LP (“GLPT-EWT”) and Hydro One Inc. (“Hydro One”)”*.

In order to understand the authority granted to BLP to speak for the most directly affected communities, and thus the position of BLP in the event that another applicant is designated, the Board could request that EWTLP/BLP:

- a. Indicate whether BLP has formal authority to represent the six First Nation communities most directly affected by the proposed development, and if so describe the mechanism and/or instruments under which such authority has been granted, and specify whether that authority is exclusive or restricted to Hydro One and/or GLPT post designation.
- b. Indicate whether BLP would be an appropriate entity with which a successful designation applicant, other than EWT LP, should engage in discussions regarding First Nations and Métis participation in the East-West Tie Line project.
- c. Confirm that if EWT LP is not designated by the Board, then the entity that is designated will be able to consult with BLP members immediately after the Board issues its designation decision.

### **Questions for AltaLink**

1. Please clarify whether AltaLink has previously developed cost-of-service projects outside Alberta, and if so, please identify these projects.
2. [Reference: AltaLink Application, paragraph 309] AltaLink proposes two cost sharing options for construction costs, and states that each such proposal *“would have associated premiums over the cost of service approach to compensate for the transfer of risk”*.

Please provide indicative premiums for each of the two cost sharing options suggested, and explain the assumptions underlying the indicative premiums provided.

### **Questions for TransCanada/IsoLux**

1. Please provide the number of regulated electric transmission circuit kilometers which IsoLux Infrastructure and TransCanada Power Transmission each own and operate, and in each case how long the subject line has been owned and operated.

### **Questions for Canadian Niagara Power, Inc.**

1. [Reference: CNPI Application, page 38] With respect to participation of First Nations and Métis in the project, please clarify:
  - a. How the applicant's partnership with the Lake Huron Anishinabek Transmission Company Inc. ("LHATC") provides opportunities to participate in the Project for the First Nations participating in the LHATC.
  - b. How that partnership impacts opportunities to participate in the Project for First Nations not participating in the LHATC, and for Métis communities.
2. [Reference: CNPI Application, pages 32-37] For each of the projects listed as an example of the applicant's relevant project experience, please specify:
  - a. Whether applicant served as the project manager.
  - b. The roles of employees of each of Fortis and CNPI in project execution.
3. Please indicate whether the applicant will act as the project manager for the EWT project.

### **Questions for RES/MidAmerican**

1. Please indicate whether RES itself will assume day-to-day responsibility for managing third-party contractors.
2. With respect to the applicant's preferred single-circuit proposal:

- a. Please provide evidence on the reliability differences between the preferred single circuit and the reference plan double-circuit configurations.
  - b. Please provide evidence on the anticipated line losses for each of the preferred single circuit and the reference plan double-circuit configurations (in each scenario providing line loss figures as a 2012 net present value, using the parameters described at page 5 of the Board's *Minimum Design Criteria for the Reference Option of the E-W Tie Line (230 kV Wawa to Thunder Bay Transmission Line)*, November 9, 2011).
  - c. Please provide evidence on the difference in ability and ease of accommodating future generator or load interconnections as between the preferred single circuit configuration and the reference plan double-circuit configuration.
3. Certain components in the applicant's proposal have been identified as having a 30-year lifespan. Given that the Board has requested a minimum of a 50-year lifespan for the project, please provide the additional project costs that will need to be incurred to ensure a 50-year life for these components.
4. [Reference: RES Application, Exhibit B, page 10] In respect of the incremental substation assets required to implement the single circuit proposal (including the shunt capacitors and series compensation):
  - a. Please specify whether RES, or another party, would develop, construct, own, and operate this equipment.
  - b. Please confirm that the \$128 million figure set out in the application includes all costs associated with this equipment.
5. [Reference: RES Application, Exhibit G, pages 3-5]. RES proposes to use a 1557 ACSS conductor. This conductor generally requires higher tension limits. High tension applications have technical issues with cost implications (such as structure size, foundation strength, tower spacing, etc.). To understand the costing of the RES proposal, it would be helpful for RES to:

- a. Indicate whether it has specified 1557 ACSS for a high tension application, and if so specify the anticipated tension limits for the proposed line.
  - b. Explain why it has chosen to use ACSS in this application, and if ACSS is used for a high tension application whether the tension limits specified comply with the OEB design criteria.
  - c. If ACSS is used for a high tension application, indicate what operational, financial and constructability benefits and costs this approach is expected to produce.
6. [Reference: RES Application, Exhibit B, Tab 1, pages 18-20] In respect of the *Development Cost Construction Proposal*:
- a. Please confirm that RES is not proposing that its regulated revenue requirement for the costs of construction of the proposed line be fixed, in advance, at \$413.4 million (Preferred Design/Preliminary Preferred Route) or \$493.7 million (Reference Design/Preliminary Preferred Route).
  - b. Please indicate whether the Subtracted Amount (as defined at page 18, paragraph 44 of the referenced exhibit) would be depreciated in line with depreciation of the balance of the Board-approved rate-base.
  - c. In respect of the proposed treatment of the “exceptions” discussed at paragraph 44(iii) [page 19] of the referenced exhibit, please illustrate by way of an example calculation how a land acquisition cost of \$25.5 million (which is \$10 million more than the “limit” specified for this cost category in the proposal) would be treated in determining a revenue requirement for the proposed line.