

December 19, 2014

VIA COURIER, EMAIL and RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0140; East-West Tie Expansion Project – Development Schedule

On September 30 2014, the Ontario Power Authority (“OPA”) wrote to the Ontario Energy Board (the “Board”) indicating there is merit in extending the in-service date of the East-West Tie (“EWT”) expansion project. On October 29, 2014, the Board wrote NextBridge and recommended that NextBridge and the OPA work together to produce a revised development schedule for the EWT expansion, to be based on the OPA’s most current information regarding the need for the line.

NextBridge and the OPA have consulted on the matter. Attached please find NextBridge’s response to the Board’s October 29, 2014 letter. Also attached is OPA’s submission to assist the Board with the matters raised in the Board's letter.

If the Board has any questions, please do not hesitate to contact me (krista.hughes@enbridge.com, 403-718-3552) or Edith Chin (edith.chin@enbridge.com, 416-753-7872).

Yours truly,

(Original signed)

Krista Hughes
NextBridge Regulatory

cc: Mr. C. Andersen, Chief Executive Officer, Ontario Power Authority
Mr. B. Campbell, President and Chief Executive Officer, IESO
Mr. C. Marcello, President and Chief Executive Officer, Hydro One Networks Inc.

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Dear Ms. Walli:

Re: EB-2011-0140; East-West Tie Expansion Project – Development Schedule

Upper Canada Transmission, Inc. (UCT or NextBridge) is writing to respond to the Board's letter of October 29, 2014 (the October 29 Letter) regarding the development schedule for the East West Tie line expansion project (EWT Project).

The October 29 Letter provided directions regarding a letter from the Ontario Power Authority (OPA) to the Board dated September 30, 2014 in which the OPA recommended extending the in-service date of the EWT Project. In the October 29 Letter, the Board recommended that UCT and the OPA work together to produce a revised development schedule for the EWT expansion, to be based on the OPA's most current information regarding the need for the line. The Board went on to say that the revised schedule should include, to the extent considered necessary by the OPA, flexibility to "allow the East-West Tie expansion project to come into service quickly should the pace of demand growth change". The Board encouraged the OPA to provide advice to UCT on the pacing of the development work.

The October 29 Letter included directions regarding the revised development schedule for the EWT Project. In particular, the Board said that the revised development schedule must provide, at a minimum:

- The proposed in-service date for the line;
- A revised development schedule, including past milestones achieved and future milestones with proposed completion dates; and
- A proposal for the frequency of reporting to the Board.

The Board also said that UCT should consider the impact on costs of any revised development schedule.

NextBridge Response to the October 29 Letter

The OPA's letter refers to work that might be undertaken by NextBridge to consider a route for the EWT Project that would traverse Pukaskwa National Park (the Park). At this time, NextBridge does not have permission to study the route through the Park, although, as stated in the OPA's letter, the Ontario Minister of Energy has requested that the federal government grant such permission.

NextBridge is responding to the October 29 Letter on the basis of the information now available to it. NextBridge will submit a further response to the October 29 Letter by May 15, 2015 when NextBridge expects that there will be a decision regarding access to the Park.

NextBridge believes that it will be in a better position to provide a full response to the October 29 Letter when the decision about Park access is known. Also, while NextBridge is awaiting the Park decision, it will continue its work in refining and revising its development cost forecast given the new development schedule arising from the OPA's letter.

NextBridge's specific response to the directions provided in the October 29 Letter is organized under the headings that follow.

(i) Revised Development Schedule

In accordance with the Board's recommendation, NextBridge and the OPA have worked together to produce a new development schedule. The new development schedule reflects a proposed in-service date of December 2020, which is based on the OPA's most current information regarding the need for the EWT line. The new development schedule includes both past milestones achieved and future milestones, with proposed completion dates, for development work on the project. The OPA has provided advice to NextBridge on pacing and priorities of the development work and has confirmed to NextBridge that continued development work in accordance with the new development schedule will allow appropriate flexibility in the event that there should be a change in the pace of demand growth in Northwestern Ontario.

In order to meet the new in-service date of December 2020, NextBridge proposes December 15, 2017 as the new target date for filing a leave to construct (LTC) application for the EWT Project with the Board. Because the Board considers the development phase of a project to end when a LTC application is submitted,¹ the establishment of a new target date for the LTC application means an extended development period (Extended Development Period) for the EWT Project.

The current Board-approved Revised Development Schedule (the Current Schedule) is attached as Appendix 1 to the East-West Tie Line Designation Decision and Order

¹ EB-2010-0058 Board Policy: Framework for Transmission Project Development Plans, August 26, 2010, at page 15.

Regarding Reporting by Designated Transmitter (the Reporting Order) issued on September 26, 2013. NextBridge has attached two tables to this letter in order to first, identify areas in which change to the Current Schedule is required and, second, present a new schedule for the Extended Development Period.

Table I attached to this letter is the Current Schedule with one additional column. The additional column identifies milestones from the Current Schedule that need to be revisited. In this table, the Board will see both milestones that have been completed and milestones that need to be revisited.

Table II attached to this letter contains the proposed new development schedule based on the new in-service date of December 2020 and a target date of December 15, 2017 for the submission of the LTC application. The proposed new development schedule follows the same format as the Current Schedule, with a set of milestones, the proposed Proof of Completion for each milestone, and a Target Date for each milestone. Also included in this table are the past milestones achieved.

In revising its plans as a result of the OPA's letter, NextBridge has assumed that a decision with respect to Park access will be reached by April 30, 2015. NextBridge has made its best efforts to provide the Board with a proposed new development schedule that will serve to meet the in-service date of December 2020 regardless of the outcome of the Park access decision.

When NextBridge makes its further submission to the Board on or before May 15, 2015, it will confirm the revised development schedule. For present purposes, NextBridge seeks an order amending or varying the Reporting Order to approve the new development schedule included with this letter in substitution for the Current Schedule at Appendix 1 to the Reporting Order. Corresponding costs related to the Extended Development Schedule are discussed further below.

(ii) Frequency of Reporting

The Reporting Order requires NextBridge to report to the Board on the 15th business day of each month on the matters set out in Schedule 3 of NextBridge's licence. Schedule 3 of NextBridge's licence also states that NextBridge shall report to the Board on a monthly basis.

The Extended Development Period is 34 months longer than the development phase upon which the Current Schedule is based. Should the Board consider it appropriate, NextBridge would be able and willing to continue to report monthly through the course of the Extended Development Period. However, NextBridge considers that changing the frequency of reporting during the Extended Development Period to quarterly would allow cost savings to be achieved without compromising transparency or timeliness of Project activity reporting.

The Board's October 29 letter indicates that NextBridge is not required to file reports for the months of November and December 2014. NextBridge intends to file a report in January 2015 for the October through December 2014 period. NextBridge proposes that the Board amend or vary the Reporting Order to change the frequency of reporting after January of 2015 to quarterly.

Specifically, NextBridge proposes that the Reporting Order be amended to provide for NextBridge to report to the Board on the 15th business day of April 2015, and then on the 15th business day of each of July, October, January, and April thereafter until NextBridge files a LTC application for the EWT Project, or until the Board determines that the reporting requirement should otherwise be terminated or altered. NextBridge also requests that the Board amend Schedule 3 of NextBridge's licence to change the requirement for reports on a monthly basis to a requirement for reports on a quarterly basis.

(iii) Cost Impacts

In the East-West Tie Line Designation Phase 2 Decision and Order (Phase 2 Decision) issued on August 7, 2013, the Board found to be reasonable the development costs budgeted by NextBridge of \$22,187,022 in 2012 dollars (the Board-Approved Costs).² According to the Board's Phase 1 Decision and Order,³ the selection of NextBridge as the designated transmitter for the EWT line indicates that the development costs are reasonable as part of an overall development plan and establishes that the development costs are approved for recovery.

The Board-Approved Costs were based on a development phase that ended with filing of a LTC application on a target date of January 28, 2015. Over the course of the Extended Development Period (to December 15, 2017), NextBridge will incur costs that, for various reasons, were not expected to fall into the development phase of the project. It is important that NextBridge obtain Board approval for recovery of costs to be incurred during the Extended Development Period for the same reasons that the Board approved recovery of costs during the originally-expected development phase.

NextBridge will continue to spend the Board-Approved Costs as it works towards the development of the project. At the time (by May 15, 2015) when it files its further submission with the Board in response to the October 29 Letter, NextBridge intends to bring forward a budget of costs during the Extended Development Period that are not accounted for in the Board-Approved Costs and that are associated with the activities reflected in the new schedule and milestones (Extended Development Period Cost Budget). At that time, NextBridge will seek approval of recovery of the Extended Development Period Cost Budget. In the meantime, prior to filing its further submission, NextBridge will continue to carry out a detailed and rigorous assessment of the costs that it will incur during the Extended Development Period.

² Phase 2 Decision, at page 41.

³ EB-2011-0140 Phase 1 Decision and Order, July 12, 2012, at page 17.

Given the extended time horizon for the development of the EWT Project, NextBridge submits that it is appropriate for the Board to set a date as of when NextBridge may apply for disposition of the Development Cost Deferral Account (DCDA) in which the actual costs of development of the EWT Project are recorded. Specifically, NextBridge requests that the Board amend the Reporting Order to provide that NextBridge may apply to the Board for disposition of the DCDA on or after January 1, 2018 if, as at that date, circumstances are such that NextBridge is unable to file a LTC application for the EWT Project. This right to seek disposition would only be triggered if circumstances do not permit NextBridge to file a LTC application by that date.

If the Board has any questions about this letter, please do not hesitate to contact us in that regard.

Yours truly,

(Original Signed)

Eric Gleason
President,
Upper Canada Transmission, Inc.

cc: Mr. C. Andersen, Chief Executive Officer, Ontario Power Authority
Mr. B. Campbell, President and Chief Executive Officer, IESO
Mr. C. Marcello, President and Chief Executive Officer, Hydro One Networks Inc.

Table I: Current EWT Schedule, Status and Need for Revisiting**Engineering**

	Milestone	Board Approved Date	Status	To be Revisited
1	Initiate engineering	13 Sep 2013	Completed	
2	Sign contract for engineering	31 Oct 2013	Completed	
3	Finalize design criteria for conductor and structure	31 Jan 2014	Completed	
4	Complete conductor optimization study	7 Mar 2014	Completed	
5	File request for a System Impact Assessment (SIA) with the IESO	12 Mar 2014	Completed	X
6	Status report on progress toward finalization of structure choice	31 Mar 2014	Completed	
7	Obtain senior management approval of the structure configuration proposal	1 July 2014	Completed	
8	Complete aerial surveys	14 Oct 2014	Completed	
9	Receive final SIA from the IESO	21 Nov 2014	Delayed	X

Route Selection, Land/ROW Acquisition and Community/Municipal Consultation

	Milestone	Board Approved Date	Status	To be Revisited
10	Prepare list of landowners along the ROW	10 Oct 2013	Completed	
11	Complete design of Landowner, Community and Municipal Consultation Plan	1 Nov 2013	Completed	X
12	Commence negotiations or discussions with all landowners and permitting agencies	25 Nov 2013	Completed	
13	Finalize proposed route and obtain senior management approval	1 Jul 2014	Completed	X

Aboriginal Engagement, Consultation and Participation

	Milestone	Board Approved Date	Status	To be Revisited
14	Send introductory correspondence to aboriginal communities	30 Aug 2013	Completed	
15	Initial meeting with Ministry of Energy regarding the MOU for delegation	15 Sept 2013	Completed	

	Milestone	Board Approved Date	Status	To be Revisited
16	Complete initial/introductory contact with all aboriginal communities identified by the Ministry of Energy	30 Sept 2013	Completed	
17	Sign MOU with Ministry of Energy regarding the delegation	5 Nov 2013	Completed	
18	Complete design of First Nations and Métis Participation Plan with community input	2 Jan 2014	Completed	
19	Complete design of First Nations and Métis Consultation Plan with community input	2 Jan 2014	Completed	

Environmental Assessment (Provincial)

	Milestone	Board Approved Date	Status	To be Revisited
20	Consult with environmental agencies (Ministry of Environment, Ministry of Natural Resources, Parks Canada and Ontario Parks)	10 Oct 2013	Completed	
21	Issue notice of draft Terms of Reference (ToR) available for review	16 Jan 2014	Completed	
22	File Environmental Assessment ToR	28 Feb 2014	Completed	
23	Initiate wildlife, aquatics and early season vegetation assessments	1 May 2014	Completed	
24	Approval of Environmental Assessment ToR	3 Jul 2014	Completed	
25	Complete Environmental Assessment Consultation Report	27 Jan 2015	Delayed	X
26	Submit Environmental Assessment to Ministry of Environment	27 Jan 2015	Delayed	X

Leave to Construct

	Milestone	Board Approved Date	Status	To be Revisited
27	Submit Leave to Construct (LTC) application	28 Jan 2015	Delayed	X

Table II: Extended Development Schedule and achieved milestones**Engineering**

	Milestone	Proof of Completion	Target Date	Achieved
A (formerly 1)	Initiate engineering	Request for Proposal for engineering	13 Sep 2013	X
B (formerly 2)	Sign contract for engineering	Executed contract	31 Oct 2013	X
C (formerly 3)	Finalize design criteria for conductor and structure	Design criteria report	31 Jan 2014	X
D (formerly 4)	Complete conductor optimization study	Completed study	7 Mar 2014	X
E (formerly 5)	File request for a System Impact Assessment (SIA) with the IESO	Confirming correspondence	12 Mar 2014	X
F (formerly 6)	Status report on progress toward finalization of structure choice	Status Report	31 Mar 2014	X
G (formerly 7)	Obtain senior management approval of the structure configuration proposal	Structure Selection Report	1 July 2014	X
H (formerly 8)	Complete aerial surveys	Aerial surveys report	14 Oct 2014	X
I	Complete Preliminary Foundation Design	Confirming Correspondence	15 Sep 2016	
J	Complete Engineering "Issued-for-bid" Design Package	Confirming Correspondence	9 June 2017	
K	File request for updated System Impact Assessment (SIA) as required	Confirming Correspondence	3 Apr 2017	
L	File request for updated Connection Impact Assessment (CIA) as required	Confirming Correspondence	14 July 2017	
M	Receive final SIA from the IESO	Confirming Correspondence	13 Oct 2017	
N	Receive final CIA from HONI	Confirming Correspondence	13 Oct 2017	

Route Selection, Land/ROW Acquisition and Community/Municipal Consultation

	Milestone	Proof of Completion	Target Date	Achieved
O (formerly 10)	Prepare list of landowners along the ROW	Line list	10 Oct 2013	X
P (formerly 11)	Complete design of Landowner, Community and Municipal Consultation Plan	Consultation plan	1 Nov 2013	X
Q (formerly 12)	Commence negotiations or discussions with all landowners and permitting agencies	Confirming correspondence	25 Nov 2013	X
R (formerly 13)	Finalize proposed route and obtain senior management approval	Final route report	1 July 2014	X
S	Confirmation of authorization to study in Pukaskwa National Park	Confirming Correspondence	30 Apr 2015	
T	Update Landowner, Community and Municipal Consultation Plan	Updated Plan	30 Nov 2015	
U	Issue RFP for Timber Valuation	Award Letter	30 Nov 2015	
V	Establish Community Advisory Board(s) as required	Proposed Terms of Reference for the Community Advisory Board	31 Dec 2015	
W	Initiate land optioning program	Instruction letter to Land Agent to initiate optioning activity	31 Mar 2016	
X	Substantial completion of distribution of option agreements	Line list and sample package of documents	30 Nov 2016	
Y	Finalize preferred route and obtain senior management approval (update to Milestone R)	Preferred Route Report	7 Apr 2017	
Z	Substantial completion of signing of option agreements	Acquisition Status Report	31 Aug 2017	
AA	Crown Land Disposition Application filed	Confirming correspondence	15 Sep 2017	
BB	Notify landowners of LTC application filing	Line List and Notice Letter	15 Dec 2017	

Aboriginal Engagement, Consultation and Participation

	Milestone	Proof of Completion	Target Date	Achieved
CC (formerly 14)	Send introductory correspondence to aboriginal communities	Confirming correspondence	30 Aug 2013	X
DD (formerly 15)	Initial meeting with Ministry of Energy regarding the MOU for delegation	Confirming correspondence	15 Sept 2013	X
EE (formerly 16)	Complete initial/introductory contact with all aboriginal communities identified by the Ministry of Energy	Confirming correspondence	30 Sept 2013	X
FF (formerly 17)	Sign MOU with Ministry of Energy regarding the delegation	Executed MOU	5 Nov 2013	X
GG (formerly 18)	Complete design of First Nations and Métis Participation Plan with community input	Participation plan	2 Jan 2014	X
HH (formerly 19)	Complete design of First Nations and Métis Consultation Plan with community input	Consultation plan	2 Jan 2014	X
II	Establish Aboriginal Community Advisory Board(s)	Proposed Terms of Reference for the Community Advisory Board	30 Nov 2015	
JJ	Develop plan for Aboriginal Training and Employment	Plan	2 Feb 2016	
KK	Prepare Pukaskwa Park specific Aboriginal consultation plan as required	Plan	2 Feb 2016	

Environmental Assessment (Provincial)

	Milestone	Proof of Completion	Target Date	Achieved
LL (formerly 20)	Consult with environmental agencies (Ministry of Environment, Ministry of Natural Resources, Parks Canada and Ontario Parks)	Confirming correspondence	10 Oct 2013	X
MM (formerly 21)	Issue notice of draft Terms of Reference (ToR) available for review	Public advertisement of draft ToR	16 Jan 2014	X
NN (formerly 22)	File Environmental Assessment ToR	Confirming correspondence	28 Feb 2014	X
OO (formerly 23)	Initiate wildlife, aquatics and early season vegetation assessments	Plan outlining summer programs	1 May 2014	X
PP (formerly 24)	Approval of Environmental Assessment ToR	Confirming correspondence	3 July 2014	X
QQ	Field Studies Resumed	Field Plan	16 May 2016	
RR	Submit Draft Environmental Assessment (EA) Report for MOECC Review	MOECC Receipt Confirmation	25 Nov 2016	
SS	Submit Draft EA Report for Public Comment	MOECC Receipt Confirmation	24 Jan 2017	
TT	Complete Consultation Summary for the EA Submission	MOECC Receipt Confirmation	4 May 2017	
UU	Submit Final EA to MOECC	MOECC Receipt Confirmation	4 May 2017	

Leave to Construct

	Milestone	Proof of Completion	Target Date	Achieved
VV	IESO 2015 Needs Assessment update	IESO need update report	15 Dec 2015	
WW	IESO 2016 Needs Assessment update	IESO need update report	15 Dec 2016	
XX	IESO Confirmation of Need	IESO confirming correspondence	31 May 2017	
YY (formerly 27)	Submit LTC application	Application	15 Dec 2017	

OPA Submission
to the
Ontario Energy Board

East-West Tie
Expansion Project

*Context for Revised
Development Schedule*



December 19, 2014



1 **Ontario Power Authority Submission to the Ontario Energy Board**
2 **Re: Revised East-West Tie Expansion Development Schedule**

3 **Background**

4 The Ontario Government’s Long-Term Energy Plan, published in November 2010, identified five priority
5 transmission projects needed to maintain system reliability, enable renewable energy connections, and
6 accommodate increasing electricity demand. One of these priority projects is a new East-West Tie
7 (“E-W Tie”) line, which will expand the existing E-W Tie transmission line running between Wawa and
8 Thunder Bay. This project is an important component of the long-term integrated plan for Northwest
9 Ontario (“the Northwest”). On March 29, 2011, the Minister of Energy wrote to the Ontario Energy
10 Board (“Board”) to express the Government’s interest in the Board undertaking a designation process to
11 select the most qualified and cost-effective transmitter to develop the E-W Tie project.

12 In response to the Minister’s letter, the Board initiated a process to designate a transmitter to
13 undertake development work for the E-W Tie expansion project. On August 7, 2013, the Board issued
14 its Phase 2 Decision and Order, identifying Upper Canada Transmission Inc. (“UCT”), o/a NextBridge
15 Infrastructure (“NextBridge”), as the designated transmitter. Prior to initiating the designation process,
16 the Board requested that the Ontario Power Authority (“OPA”) perform a preliminary assessment of the
17 need for the E-W Tie expansion. In its Phase 2 Decision, the Board requested further need updates over
18 the course of NextBridge’s development work. The OPA filed update reports on October 8, 2013 and
19 May 5, 2014, in each case supporting the E-W Tie expansion project as the recommended option to
20 maintain a reliable and cost effective supply of electricity to the Northwest for the long term.

21 By letter to the Board dated September 30, 2014 (the “OPA Letter”), the OPA recommended that the in-
22 service date for the E-W Tie expansion project be extended from the current date of 2018 to 2020, and
23 that opportunities for cost reductions be explored across all aspects of the project. In the OPA’s
24 opinion, this extended timeline would not undermine overall project benefits or impact system
25 reliability, as mining and other infrastructure developments in the Northwest have progressed slower
26 than expected.

27 In response to the OPA Letter, the Board wrote to Mr. Gleason, President of UCT, recommending that
28 UCT and the OPA work together to produce a revised project development schedule, to be filed by
29 December 19, 2014. This revised development schedule was to include as minimum requirements, *the*
30 *proposed in-service date for the line, a revised development schedule, including past milestones achieved*
31 *and future milestones with proposed completion dates, and a proposal for the frequency of reporting to*
32 *the Board, while also considering corresponding cost impact.*

1 This submission is filed in response to the Board’s request and provides additional context for the OPA’s
2 recommended delay in the E-W Tie development schedule. In particular, this submission will describe
3 the Northwest demand outlook and related reasons for deferring the E-W Tie, opportunities to explore
4 cost reductions across the project, interim measures to mitigate any immediate increase in demand, the
5 value of continuing development work, and the proposed frequency of reporting.

6 **Northwest Demand Outlook and Reasons for Deferring the E-W Tie Expansion**

7 The purpose of the East-West Tie expansion is to provide a long-term reliable supply of electricity to the
8 Northwest that meets the regional demand growth forecast in the context of changes to the supply mix.
9 With the shutdown of coal-fired generation now complete, and the conversions of Atikokan GS and
10 Thunder Bay GS to biomass operation well underway, the changes to the Northwest supply mix are
11 largely known. At today’s demand levels and with these supply mix changes, the IESO confirms that the
12 Northwest can be reliably supplied under current conditions. Therefore, going forward, forecasted
13 demand growth in the Northwest is the key driver for the E-W Tie expansion, and is subject to the most
14 uncertainty.

15 The OPA has monitored and updated both actual demand and forecasted demand growth in the
16 Northwest since the E-W Tie Transmitter Designation Process was initiated in 2011. As has been
17 documented in the OPA’s reports, actual demand in the Northwest underwent a significant decline
18 between 2005 and 2010, in response to a restructuring of the economy, which resulted in the shutdown
19 of the majority of the region’s forestry and pulp and paper facilities. In tracking actual demand, the
20 OPA’s information confirms this decline has leveled off in recent years, with demand stabilizing at
21 around 750 MW and 4.5 TWh annually between 2011 and 2013. Notably, since the OPA’s first report on
22 the rationale for the E-W Tie expansion was published in 2011, actual demand in the Northwest has not
23 substantially increased.

24 In contrast to other parts of the province, where growth is typically driven by residential, commercial
25 and small-to-medium sized industrial development, demand growth in the Northwest is primarily driven
26 by potential new and expanded industrial facilities, mainly in the mining sector. These industrial
27 facilities tend to be large consumers, with demand requirements ranging from 10-100 MW or more.
28 Forecasting demand for such industrial facilities is difficult. While there is well established information
29 regarding the location and size of mineral and ore deposits to which various mining companies have
30 rights, the decision to go ahead with development or expansion of a mine is driven by a host of factors,
31 including commodity prices, the cost to develop a specific mining claim, and access to financing. Mining
32 companies typically undertake a variety of actions early in the process of developing a claim, shortening
33 the lead time to bring a mine into service if and when conditions become favourable. This can include
34 conducting feasibility studies and applying for Environmental Assessments (“EA”), System Impact
35 Assessments (“SIA”), and Leave to Construct (“LTC”) for electricity connection facilities. The OPA
36 continuously monitors these activities as indicators of a mine’s readiness to develop. However, it is

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Ontario Power Authority

1 ultimately economic conditions that determine whether or not a particular mining development can
2 obtain the necessary financing to proceed. If commodity prices drop, as they have in recent years,
3 mining projects that were considered feasible at higher prices, and that may have achieved milestones
4 such as EA's and SIA's, can quickly become uneconomic to develop. Electricity system plans must
5 reconcile the challenge of being able to react quickly to supply these loads if they materialize, while
6 minimizing the risk to ratepayers of under-utilized infrastructure if they do not.

7 The OPA's demand forecasts for the Northwest reflect ongoing work to monitor the status of mining and
8 other industrial developments in the region through the review of publicly available information, such as
9 trends in gold and other commodity prices; company financial reports; EA, LTC, and SIA filings; and
10 through discussions with stakeholders, mining companies, an industry representative, and the Ontario
11 Ministry of Northern Development and Mines. To reflect the significant uncertainty surrounding mining
12 and other industrial developments, the OPA has published a range of forecast scenarios for the
13 Northwest representing divergent outcomes. For example, the May 2014 report forecasted demand
14 growth ranging from a low case of essentially no growth to a high case of nearly double the current
15 demand in the Northwest. Additionally, the level and timing of the OPA's forecasts have changed over
16 time in response to changes in the underlying factors described above. Most recently, in the May 2014
17 Report, the forecast scenarios were adjusted downward (by approximately 150 MW in the Reference
18 case), and reflect a delay in the ramp up of demand growth of approximately two years. This revised
19 demand forecast was informed by several factors, including lower commodity prices affecting the
20 economics and feasibility of several projects that had previously been expected to develop imminently;
21 revised information on expected in-service dates and/or size of mining operations; and the continued
22 decline of the pulp and paper sector.

23 The OPA Letter indicated that "mining and other infrastructure developments have been progressing at
24 a slower than expected pace in northwestern Ontario." This representation was premised on
25 indications that industrial developments factored into the May 2014 reference forecast were not yet
26 moving ahead. Specifically, as described above, several mining projects were experiencing slower than
27 expected development, in addition to delays in the TransCanada PipeLine ("TCPL") conversion project,
28 "Energy East", which constitutes another large portion of the demand forecast and was previously
29 scheduled to be in-service in 2017. Collectively, these factors led the OPA to conclude that it was
30 premature to pursue an LTC application, then scheduled for January 2015 filing. At the same time, the
31 OPA recognized that there could be other benefits to extending the development timeline for the
32 E-W Tie project. Based on the two-year delay in the onset of demand growth in the May 2014 forecast
33 as compared to the October 2013 forecast, the OPA proposed a corresponding two-year delay in the in-
34 service date, from 2018 to 2020.

35 In the OPA's opinion, there is still strong potential for demand growth in the Northwest. While some
36 industrial projects have slowed, the OPA is aware of others that are continuing to take positive steps
37 toward development. In particular, the mineral and ore deposits upon which the development outlook

1 is predicated are real, and the willingness to develop these resources is evidenced by a large number of
2 companies currently investing in preparatory work. Ultimately, it is a question not of whether, but when
3 the economic conditions will be favourable for mining development to materialize. Further, if the TCPL
4 Energy East project goes ahead, it will add a significant amount of demand to the Northwest system.

5 **Exploring Opportunities for Cost Reduction**

6 The OPA Letter indicated that extending the in-service date “would provide additional time for
7 developing the East-West Tie Expansion project, with a focused aim of reducing its cost.” Specifically,
8 the OPA Letter suggests that there may be a possibility for cost reductions to be found in three areas of
9 the project, namely, “pursuing a shorter line routing option; optimizing equipment and system design,
10 including staging of station facilities; and having a less compressed schedule for the development and
11 implementation of the project.”

12 While the OPA is not in a position to determine the actual cost implications from these activities, it
13 *anticipates* that further study of these areas may identify opportunities to manage the cost of the
14 E-W Tie project.

15 As described in the OPA Letter, the potential refinement of the line routing option specifically refers to
16 pursuing EA work for a route paralleling the existing E-W Tie line through Pukaskwa National Park. As
17 the preliminary preferred route around the park that is currently under consideration by NextBridge is
18 approximately 40 km longer, it is reasonable to assume that a route through the park would be less
19 costly. At this time, Parks Canada has not granted NextBridge access rights that would allow for the
20 collection of data required to undertake the EA process. Subject to Parks Canada approval, the
21 additional development time afforded by deferral of the E-W Tie in-service date would provide an
22 opportunity for this route to be studied and for related costs and environmental impacts to be
23 considered.

24 In terms of optimizing equipment and system design, the OPA anticipates two areas where cost
25 reductions may potentially arise. With respect to equipment design, the OPA expects that NextBridge
26 will make use of the additional development time to investigate whether there are refinements to the
27 design and/or construction of the line that could result in the reduction of risks. With respect to system
28 design, the OPA will work with Hydro One and the IESO to investigate whether and how the upgrades to
29 the Wawa, Marathon and Lakehead transformer stations could be staged with load growth. If feasible,
30 there could be cost savings from deferring the installation of certain equipment, such as static var
31 compensators, while still meeting reliability standards.

1 **Interim Measures**

2 The E-W Tie expansion is expected to provide a long-term supply of electricity to the Northwest. In the
3 years before the E-W Tie comes into service, the OPA has always anticipated that interim measures
4 could be required to meet electricity requirements in the Northwest in the years before the E-W Tie
5 could be brought into service. This was indicated in the OPA’s October 2013 and May 2014 reports.

6 Since the May 2014 report, the OPA has refined its analysis of the Northwest electricity needs during the
7 interim period. Based on this analysis, under normal water conditions, supply to the Northwest will be
8 adequate until at least 2020. However, should drought conditions occur, the OPA expects there may be
9 a need for short-term supply during the interim period, depending on demand growth and hydraulic
10 conditions in the Northwest. This need is not expected to arise prior to 2016.

11 The OPA and the IESO are developing interim measures for deployment in short order should the need
12 arise. These interim measures include firm imports, expanding the capability of existing generation
13 facilities, or demand response, to be contracted on a short-term basis to fill the gap before the E-W Tie
14 expansion comes into service. The available options have been informed, in part, by responses to the
15 Northwest Request for Information (“RFI”), undertaken by the OPA in early 2014.

16 In light of the OPA’s most recent information on the project need and the availability of interim
17 measures, the OPA does not anticipate that additional flexibility is required for the East-West Tie
18 expansion to come into service prior to 2020.

19 **Value of Development Work:**

20 The OPA recommends an extension in the E-W Tie project in-service date on the basis of slower than
21 expected development in the Northwest. Despite this short-term outlook, the OPA continues to
22 forecast demand growth in the Northwest and recommends the E-W Tie expansion as the long-term
23 option to supply that growth.

24 The OPA understands that NextBridge may request cost recovery for expenditures related to the
25 extended development timeframe, and that the Board would in turn have to assess the ratepayer value
26 of committing additional funds to continue this development work. In the OPA’s opinion, the following
27 benefits support continued investment in development work:

- 28 • Continuing development work will preserve the E-W Tie expansion as a viable option, and will
29 reduce the lead time to enable it to be brought into service quickly when it is needed.
- 30 • The cost of the development work is relatively conservative compared to the total project cost.

- 1 • The additional development timeframe enables opportunities for potential cost reductions to be
2 explored, which may result in a reduced overall cost to ratepayers if the project is ultimately
3 approved.
- 4 • By not committing to the E-W Tie expansion before it is needed, ratepayers may benefit from
5 the deferral of costs. To illustrate, deferring a \$600 million investment for two years, assuming
6 a 4% discount rate, would amount to approximately \$45 million in gross savings due to the time
7 value of money.
- 8 • Finally, extending the development timeframe will also provide time to monitor demand
9 developments in the Northwest and to confirm the need for the project, thereby reducing the
10 risk of under-utilizing a large capital investment.

11 Updated Development Schedule and Reporting

12 The OPA confirms that the revised development schedule and in-service date proposed by NextBridge
13 align with and properly reflect the OPA's most current information regarding the need for the E-W Tie
14 expansion project. Continuing development work along this extended timeline will reduce the lead time
15 to bring the E-W Tie expansion into service should the pace of demand growth change.

16 The OPA proposes to submit need updates to the Board on an annual basis for the duration of the
17 project development schedule. Specifically, the OPA proposes to provide need assessment updates on
18 December 15, 2015 and December 15, 2016, as well as a letter confirming the timing for the LTC
19 application. The LTC is currently planned to be filed in December 2017. Should any major changes
20 affecting the timing or need for the E-W Tie expansion occur between these reporting dates, the OPA
21 would provide an interim update to the Board alerting it of these changes.

22 Summary

23 In the May 2014 report, the OPA indicated that it "continues to recommend the E-W Tie as the
24 preferred alternative to maintain a reliable and cost-effective supply of electricity to the Northwest over
25 the long term." The OPA still maintains this position and recommends the project as the best
26 alternative to supply forecast demand growth in the Northwest. On this basis, the OPA supports the
27 continuation of development work on the E-W Tie expansion. The OPA believes that it is in the
28 ratepayer interest to maintain the viability of the EW Tie expansion project so that it can be brought into
29 service as required.