

**J. Mark Rodger**  
T 416-367-6190  
F 416-361-7088  
mrodger@blg.com

Borden Ladner Gervais LLP  
Scotia Plaza, 40 King St W  
Toronto, ON, Canada M5H 3Y4  
T 416.367.6000  
F 416.367.6749  
blg.com



July 27, 2015

**Delivered by RESS & Courier**

Ms. Kristen Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: File Number: EB-2015-0216  
Request by Upper Canada Transmission Inc. for Approval of Schedule  
and Costs related to the Development of the East-West Tie Transmission  
Line**

**ALTALINK RESPONSE TO OEB INVITATION TO COMMENT**

Submission of:

AltaLink Ontario L.P.  
2611 3<sup>rd</sup> Avenue S.E.  
Calgary, Alberta  
T2A 7W7

Contact:

Stephen E. Hodgkinson  
Vice President, Corporate development  
Phone 403-267-4273  
Fax 403-235-1527  
Cell 403-998-0739  
Email [steve.hodgkinson@altalink.ca](mailto:steve.hodgkinson@altalink.ca)

AltaLink Ontario L.P. (AltaLink) is pleased to respond to the Ontario Energy Board (OEB) "Invitation to Comment" dated July 9, 2015.

In its Decision dated August 7, 2013 in the EB-2011-0140 designation proceeding, the OEB relied heavily on cost and schedule information submitted by Upper Canada Transmission (UCT). Since that time the OPA/IESO has altered the project schedule and UCT now seeks a significant increase in its recoverable development costs.

It is very difficult to carry out a thorough analysis of UCT's performance based solely on the submissions of May 15, 2015 and June 24, 2015. A significant missing component is a detailed accounting, on a discrete project activity basis, of the expenditures to date. Approximately \$8.8 million of the requested increase falls under the heading of "extended development period". A significant portion of this amount appears to be due to consultation costs that appear to have been largely under-estimated in the original budget. Over \$3 million appears to simply be overheads and support functions and \$1.2 million is the cost of updating the budget and schedule.

UCT's requested cost increase also includes approximately \$8.6 million for "budget variance/scope change". This includes approximately \$3.2 million for scope changes. The only obvious "scope change" we can identify at this time is the delayed in-service date which seems to have been accounted for under the heading "extended development period". The remainder of this amount (\$5.6 million) appears to be the result of a re-examination of the original budget and an attempt to capture projected costs that were not included in the original cost estimate. AltaLink submits that the Board should determine whether a reasonable nexus exists between the in-service date and the level of cost increases UCT is asking consumers to bear, otherwise the concern is that the delayed in-service date is simply a rationale to attempt to justify re-opening the entire project budget which, in our view, would be inappropriate.

However, there is little doubt that the passage of time since the original estimates were prepared in 2012 will result in some cost escalation. Equally, the circumstances with respect to the routing in the vicinity of Pukaskwa National Park have resulted in some cost/schedule impact. In addition, the extended development period would result in some costs associated with additional "dwell time". Although the OPA letter dated September 30, 2012 suggested that delaying the in-service date from 2018 to 2020 could result in some cost savings, experience has shown that such delays rarely result in cost reductions. In total, it is realistic to assume that the project delay will result in some measure of increased costs. Without a detailed examination of the work and

expenditures to date it is difficult to precisely estimate the extent of these increases. Our estimate is that a reasonable cost increase for this type of delay would be in the order of 30 – 40%.

Should the Board choose to terminate the involvement of UCT, AltaLink would be prepared to step in and complete the development work and submit the required Leave to Construct application on a firm price basis. AltaLink currently estimates the cost of this development work to be approximately \$25 million. Depending on the value and potential to use the current work UCT has completed or is near completion, it is expected that AltaLink's estimate could be reduced accordingly. Following detailed review of the UCT work completed to date, AltaLink would be prepared to offer the Board a fixed price, that is well below UCT's request, to complete development of the required applications.

With the proposed significant increase in UCT development costs and the likely increase in construction costs that may follow, it is important that the interests of customers are taken into account to ensure an overall least cost solution. It might be beneficial to convene a type of review to provide customers an opportunity to assess the proposed UCT development cost increases and, should UCT continue with the project, at key stages of the project when additional cost increases or schedule changes are requested.

AltaLink would draw the Board's attention to its original proposal which included three pricing alternatives, two of which provide the Board with increased cost certainty for customers. With the recently proposed cost increase by UCT, the Board may wish to re-visit AltaLink's costing proposals.

1. Traditional cost of service pricing;
2. Negotiated target price with a risk/reward sharing mechanism; and
3. Lump sum fixed pricing.

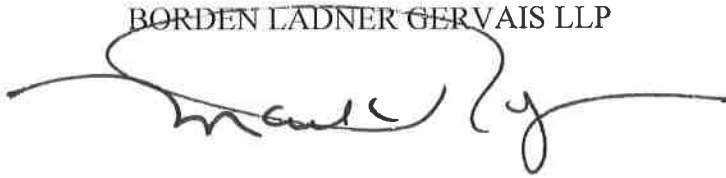
In addition, AltaLink also proposed exploring a form of tariff levelization to address the intergenerational issues whereby current customers bear a disproportionate amount of the cost while future customers realize the bulk of the benefits.

As the Board's designated runner-up in the designation process, AltaLink was, and continues to be, very interested in ensuring the success of the Board's process and ultimately the successful

realization of the East-West Tie project. AltaLink remains committed to work with the OEB and interested parties to ensure the successful completion of the East-West Tie Transmission Line on a cost effective basis which delivers value to Ontario consumers.

Yours truly,

BORDEN LADNER GERVAIS LLP

A handwritten signature in black ink, appearing to read "Mark Rodger", written over a horizontal line.

J. Mark Rodger  
Incorporated Partner\*

\*Mark Rodger Professional Corporation

JMR/ld

Copy to: Steve Hodgkinson, Altalink  
All Parties of Record