

March 27, 2017

**VIA COURIER, EMAIL, RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Upper Canada Transmission, Inc. (“UTC” or “NextBridge”)  
Ontario Energy Board (“OEB” or “Board”) File Number EB-2017-0013  
Application for approval of a mechanism to record costs relating to the  
East-West Tie line project from and after the date of filing of a leave to  
construct application - NextBridge Response to OEB March 16, 2017 letter**

The purpose of this letter is to provide the responses of Upper Canada Transmission, Inc. (“UCT” or “NextBridge”) to the questions set forth in the Board’s letter issued on March 16, 2017 (the “March 2017 Letter”).

The questions set forth in the March 2017 Letter relate to NextBridge’s January 5, 2017 application (the “Application”) on cost recording associated with the proposed East-West Tie Line electricity transmission project (the “EWT Line Project”). The Application requested that the Board extend the existing deferral account used to record development costs for the EWT Line Project (the Development Cost Deferral Account, or “DCDA”) until the Board’s final determination on NextBridge’s Leave to Construct (“LTC”) application, or, alternatively, establish a new deferral account (a Project Cost Deferral Account or “PCDA”) to allow costs to be recorded from and after the date when an LTC application is filed.

The information requested by the March 2017 Letter is provided in this response. Each question posed in the March 2017 Letter is addressed below.

- 1. UCT did not specify in its letter whether the costs it seeks to record after filing a leave to construct application are development costs or other costs. If UCT proposes to record development costs in the account:**
  - What development costs will be incurred after the filing of the leave to construct application?**

- **Why should the development period, which was established as part of a competitive process, be extended beyond the filing of the leave to construct application?**

The correct term or label to use to characterize the costs NextBridge seeks to record after filing an LTC application is unclear. NextBridge understands that, in accordance with OEB nomenclature, “development costs” begin when a transmitter is designated and are intended to end when a leave to construct application is submitted (see EB-2010-0059 Board Policy: Framework for Transmission Project Development Plans (August 26, 2010), at p.15). As such, “development costs” does not appear to be the appropriate term to refer to the costs sought to be recorded after filing the LTC application. However, neither is “construction costs” necessarily the appropriate term to characterize such costs. NextBridge understands that construction activities may not be commenced in advance of LTC approval. NextBridge does not intend to record construction costs in the DCDA account if it were to be extended, or alternatively in the proposed PCDA account should it be established.

Fundamentally, the costs anticipated to be incurred between the time of the filing of the LTC application and the OEB decision on that application are of the same nature as the development costs being incurred by NextBridge pre-LTC submission. The difference is that the costs will be incurred in relation to a new time period. Project development occurs in stages. The work involved for an applicant to prepare and submit an LTC application and an environmental assessment application does not represent all project development work required. Costs will continue to be incurred on the EWT Line Project as the LTC application proceeds through the Board’s review and approval processes, and development-related activities focused on further refining the project to bring it to the point of being construction-ready are undertaken.

The specific types of costs that NextBridge anticipates incurring after the filing of the LTC application and before the OEB decision on the LTC application include costs related to the following:

- a) OEB LTC application review process, including proceeding costs and intervenor cost awards approved by the OEB;
- b) Ministry of Environment and Climate Change review process related to the environmental assessment application;
- c) Further detailed engineering design work;
- d) Further archaeological assessment;
- e) Environmental field work to support environmental permitting activity;
- f) Continued land optioning/acquisition activity;
- g) Ongoing stakeholder engagement activity;
- h) Ongoing aboriginal engagement activity; and
- i) Ongoing project management activity.

NextBridge plans to file the LTC application in the second quarter of 2017. According to the OEB's Resource Guide, it will take around 210 days (7 months) to issue a decision in an LTC case with an oral hearing. That means that a decision would not be expected before early 2018.

NextBridge believes that it is reasonable to be able to record the costs being incurred during the period when the LTC application is under review so that those costs can be considered for recovery at a later date. Otherwise, NextBridge is faced with the risk that the costs could be unrecoverable. That would not be consistent with the OEB's finding that NextBridge is entitled to recover the costs of project development (subject to prudence review where the costs are in excess of initial budgets). Further, denial of the opportunity to record these costs for future recovery would result in NextBridge not continuing with additional project development activities (including those referenced above) post-LTC filing, which would have significant implications to NextBridge's ability to meet the December 2020 in-service date identified in the EWT Project Order-in-Council priority designation (Ontario Executive Council Order-in-Council 326/2016, approved and ordered March 2, 2016).

To be clear, NextBridge does not seek approval for recovery of costs at this time. The purpose of NextBridge's Application is to provide for the recording of costs that will be expended to further progress the EWT Line Project, and more specifically, to provide for where actual project costs incremental to those incurred up to the filing of the LTC application can be recorded for consideration as part of the OEB's future review of the prudence and reasonableness of those costs.

NextBridge considers that the most administratively efficient solution would be for the Board to simply extend the existing DCDA to allow recording of costs in relation to the post-LTC filing period. Should the Board prefer, for consistency of terminology or other reasons, not to refer to such costs as "development costs" and instead establish a fresh deferral account for costs incurred from and after the date of filing of the LTC application for the EWT Line Project, NextBridge would proceed on that basis. NextBridge does not have a preference between these alternatives.

**2. If the costs to be recorded are not development costs, on what basis is UCT seeking to record other types of costs?**

Please see response to question No.1 above.

**3. Will UCT, when it files the leave to construct application, file a proposal for the disposition of the DCDA? If not, why not?**

Yes, as part of the LTC application, NextBridge intends to file a proposal for the disposition of the DCDA. Although the proposal for disposition of the DCDA is still under development, it will likely include a request that in the event that the OEB does not grant leave to construct in relation to the EWT Line Project, NextBridge will seek immediate disposition of the DCDA through a separate application. In the event that leave to construct is granted by the OEB, NextBridge intends to propose that the balance of the DCDA (and the PCDA, should it be established) be transferred into (and represent the starting balance of) a new Construction Work in Progress (“CWIP”) deferral account.

**4. Will UCT be asking to establish any other type of account when it files the leave to construct application?**

Yes. As explained in response to question No.3, as part of the LTC application, NextBridge intends to request the Board establish a new CWIP deferral account for the recording of capital costs relating to the EWT Line Project. In the event leave to construct is granted, capital costs would be recorded in the CWIP account from and after the date of the order granting leave to construct.

**5. Is UCT still intending to present to the OEB a proposal for performance-based rate-making for the project’s construction phase concurrently with its leave to construct application?**

No, UCT will not present to the OEB a proposal for performance-based rate-making for the EWT Line Project’s construction phase concurrently with its LTC application. On February 11, 2016 the OEB revised the Chapter 2 Revenue Requirement Application filing requirements, setting forth guidelines for transmitters to propose incentive- and performance-based rate setting frameworks. In the context of a Chapter 2 filing, NextBridge intends to develop an incentive-based revenue requirement proposal that (i) aligns with the updated filing requirements and (ii) addresses the unique attributes of NextBridge being a new entrant with a single transmission line and no substations. The details of such proposal remain to be determined. NextBridge plans to file a Chapter 2 revenue requirement application prior to the in-service date of the EWT Line Project.

Conclusion

With the information set out above, NextBridge respectfully requests that the Board proceed to consider NextBridge’s request. NextBridge respectfully requests that the Board issue an order extending the DCDA until the Board’s final determination of the LTC application. Alternatively, in the event that the Board considers it more appropriate to establish a new deferral account for the recording of costs arising after the date of filing of the LTC application, NextBridge requests approval of the proposed PCDA.

In establishing the DCDA, the Board drew upon its powers under sections 70, 74 and 78 of the *Ontario Energy Board Act, 1998*. NextBridge respectfully submits that those powers apply equally to support the approval requested by NextBridge in the Application.

In furtherance of achieving a December 2020 in-service date for the EWT Line Project and as referenced in the Application, NextBridge expects to file an LTC application for the EWT Line Project in the second quarter of 2017. Failure to have a mechanism in place for NextBridge to record costs relating to the EWT Line Project from and after the date of filing of the LTC application may jeopardize achievement of the in-service date.

If the Board has any questions about this letter, please do not hesitate to contact me at 403-718-3552 or Edith Chin at 416-753-7872 in that regard.

Yours truly,

(Original Signed)

Krista L. Hughes  
Managing Legal Counsel  
Enbridge Employee Services Canada Inc.