

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B)*;

**AND IN THE MATTER OF** an application by Upper Canada Transmission, Inc. under section 92 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B)* for an Order or Orders granting leave to construct a new double circuit 230 kV electricity transmission line between Thunder Bay and Wawa;

**AND IN THE MATTER OF** an Application by Hydro One Networks Inc. pursuant to s. 92 of the Act for an Order or Orders granting leave to upgrade existing transmission station facilities in the Districts of Thunder Bay and Algoma.

**WRITTEN INTERROGATORIES OF HYDRO ONE NETWORKS INC. TO NEXTBRIDGE ARISING FROM NEXTBRIDGE'S UNDERTAKING RESPONSES ON DEVELOPMENT COSTS FILED ON JULY 23, 2018**

**Interrogatory 1**

*Reference*

l) JD 1.2

In JD1.2, NextBridge writes that the total spend on development activities up to filing the Leave to Construct application was \$35.7M. In Attachment 1 of JD1.1, the \$35.7M has been labeled as "budgeted" costs with an additional \$4.4M being labeled as "unbudgeted".

*Questions:*

- a) Regardless of the classification of costs, whether "budgeted" or "unbudgeted", is NB now seeking approval for an additional \$17.7M over the designated development costs of \$22.4M?
- b) On page 6 to this response NextBridge writes that "these savings of \$7.0 MM are permanent because the total construction phase project budget remains the same as filed in the Leave to Construction as \$737 MM." Please confirm that NextBridge was designated based on a development budget of approximately \$22M and a construction budget of approximately \$400M for a total Project cost of approximately \$422M. NextBridge is now estimating the total cost of the Project to be approximately \$777M. Please explain how this results in \$7M of permanent savings?

- c) NextBridge wrote that the original designated budget amount of \$22.4M included costs that were forecast for items such as third parties performing engineering work, Leave to Construction preparation and Crown and Public Entities permitting and consultation. NextBridge identifies that these costs were not included in the May and June 2015 filings. Please confirm that these costs total the \$2,952K, as shown in Table 3.
  
- d) At the end of paragraph 1, on page 3 of JD1.2, NextBridge writes “using this approach to understand the extended development period spend, NextBridge categorized \$15.8MM into the 42 categories, more than just the requested \$13.3MM”. Please confirm that NB is not seeking recovery of an additional \$13.3M over its designated amount of \$22.4M, but in fact is seeking recovery of an additional \$17.7M?

## **Interrogatory 2**

### *References:*

- I) EB-2011-0140 – NextBridge Interrogatory Response to Board Staff 26 – March 28, 2013
- II) EB-2011-0140 – NextBridge Request For Recovery of Additional Development Costs - May 15, 2015
- III) EB-2017-0182 – JD 1. 6

### *Question:*

JD1.6 identifies \$4.4M as “unbudgeted amounts at designation”. NextBridge in reference i) had allocated \$1.3M to contingency and in reference ii) a further \$2.0M to contingency. Is it not the purpose of the contingency to cover this type of unknown expense?

## **Interrogatory 3**

### *Reference:*

- I) JD 1.2

### *Question:*

For clarification purposes, please confirm what is meant by the “Affected by Project Delay” and “Affected by Major Re-Route”. Does this tag mean the activity was affected by the Project delay and/or the major re-route? For example, “Activity 1) Update Stakeholder Relations Consultation Plan”, was this activity affected by both the Project Delay and the Major Re-Route

#### **Interrogatory 4**

##### *Reference:*

- I) JD 1.2 – Figure 1
- II) In February 2014, Parks Canada denied NextBridge’s request to study the route, indicating that it did not support the project routing through Pukaskwa National Park – JD 1.2 Page 18
- III) NextBridge has identified approximately \$2.9 million in activities required to effectively study a route through the Park, including development of Park-specific Aboriginal and non-Aboriginal consultation activities and open houses, additional field study planning and assessment activity, and additional engineering studies... If access to the Park is not granted, then the identified Park Study funds are not necessary and the Extended Development Period Incremental Costs will be reduced accordingly to \$20.3M – EB-2011-0140 May 15, 2015 NextBridge Letter Page 12 to 13

##### *Preamble:*

In Figure 1 of JD 1.2 NextBridge provides a chronology of NextBridge’s spend over the entire development period with an original LTC file date of January 2015. Since leave to construct approval of the OEB is for a specific route, Hydro One presumes that NextBridge’s leave to construct application, that was to be filed in January 2015, would have been for a route around Pukaskwa National Park since NextBridge was explicitly forbidden from studying a route through the Park as of February 2014.

##### *Questions:*

- a) Please confirm how much of the original designation budget of \$22.4M was earmarked for studying the route through PNP, and how much of that was unspent in February 2014?
- b) Please confirm that NextBridge had the opportunity to redirect these unused budgeted funds to study the route alternative around PNP.
- c) In JD1.6, NextBridge wrote:

“Note, major re-routes do not take into consideration the over 90 alternative change requests to route around certain landowners or environmentally sensitive areas”

Please confirm that these “90 alternative change requests” would have occurred regardless of the route change. How many of these 90 alternative change requests are situated in the 50 km route bypass around PNP and Dorion and Loon Lake bypasses?

- d) In JD1.6, NextBridge has determined that the route change amounted to an 11% increase in the study area. Please show the detail of the calculations to arrive at 11%.

- e) Why was the 11% applied to all 42 activities listed, versus an individual analysis of each activity to determine if in fact the route change impacted these costs? For example, why would activities 3, 4, 10, and 11 be impacted by route change and contribute to 11% of route costs? If only 11% of the route changed, and consultation was supposed to have been completed to meet a January 2015 Leave to Construct filing date, why should any consultation costs that incurred after that time be allowed?

## **Interrogatory 5**

### *Reference:*

- I) "NextBridge has secured Option Agreements with 73% of private landowners to date."  
Exhibit E, Tab 1, Schedule 1 - Page 3
- II) The initiation of land optioning during the development phase was critical to maintaining the project schedule. At the time of the Leave to Construct application filing, NextBridge had reached agreements, through the execution of 135 Option Agreements, with 73% of private landowners impacted by the project reducing the risk of expropriation. – JD 1.2 Page 40
- III) Exhibit I.E.NextBridge.HONI.5
- IV) "MS. VELSHI: Mr. Stevens, a quick question for you: Is the OEB approval a critical path activity for NextBridge?  
We heard this morning from Hydro One that if the OEB decision wasn't until October or so, or November, that it really shouldn't impact your schedule because you need the critical path activities, your EA approval. I just wanted confirmation on that.  
MR. STEVENS: I think the answer is -- well, I know that the answer is that both are critical path activities. The leave-to-construct approval is important for land acquisition reasons." - EB-2017-0364 – June 5<sup>th</sup> Transcript – Page 92-93
- V) JD 1.1 Attachment 1

### *Questions:*

- a) Are the costs associated with the acquisition of the remaining 27% of land option agreements included in the \$17.7M of additional development costs. If not, where will they be captured?
- b) Per reference II and IV above, is NextBridge intending to pursue expropriation activities on these lands?
- c) Has NextBridge budgeted any dollars for expropriation activities in their development costs provided at Reference V?

## **Interrogatory 6**

### *Reference:*

- I) The Hydro One Inc. Bruce to Milton EA was used as a template for the designation application EA scope of work, which did not include the need for an alternatives assessment – JD 1.2 Page 21
- II) Additional field surveys would be required to meet the permitting requirements for the MNRF, DFO, and the LRCA based on the comments received – JD 1.2 Page 24

### *Questions:*

- a) Why was Bruce to Milton considered an appropriate template for the EA work?
- b) Please provide copies of all internal studies, reports, and analyses that served as the basis for the decision to use the Bruce to Milton EA as a template for the designation application EA scope of work.
- c) In making the decision to use the Bruce to Milton EA as a template, did NextBridge seek the advice of external environmental consultants? If not, why not? If so, please provide copies of all reports, studies and analyses of the external environmental consultant on the use of the Bruce to Milton EA as a template.
- d) How were the comments provided by the MNRF, DFO, and/or the LRCA unique or unusual for this type of project such that the information requested was unable to have been included in the original EA document?
- e) Did NextBridge commence any significant consultation activities before the initiation of the EA? If so, when and with whom?

## **Interrogatory 7**

### *References:*

- I) JD 1.2
- II) JD 1.6

### *Questions:*

- a) Please confirm the total value of activities 20-40 equals \$6.4M
- b) Please confirm of those activities, 11% of those costs have been attributed to the \$1.7M of re-route costs.
- c) In calculating the NextBridge suggested cost of delay, Hydro One calculated the total cost as \$8.3MM. This was calculated by starting at \$15.8M then removing the cost

associated with activities 20-40 that are not driven by the route change, (\$5.7M = \$6.4M less 11%), and then less the route change costs of \$1.7M. Hydro One has calculated the total costs of the project delay to be \$ 8.3M. Which number is correct - \$8.3M or \$7.6M provided by NextBridge in JD 1.6?

- d) Of the \$8.3M, did NextBridge do a detail line-by-line analysis of whether each activity was actually impacted by the Project delay? For instance:
- i) for activities 3 and 4, relating to aboriginal capacity and funding costs, what additional information needed to be communicated in person with these communities that required NextBridge to incur an additional \$2M in development costs over the extended development period. Could this information not have been communicated through a letter?
  - ii) For activity 42, does NextBridge concur that the land option costs could have been delayed until the construction phase of the Project and that NextBridge elected to move these costs forward.
  - iii) For activity 9, 17 and 18, does NextBridge agree that these types of costs would have been incurred regardless of a 2018 or 2020 ISD. Did NextBridge originally budget these costs in their construction cost estimate?

### **Interrogatory 8**

*Reference* JD 1.2, p. 4 of 41

NextBridge states that “each activity was reviewed to determine if incremental development period costs were incurred (i.e. costs from February 2015 to July 2017) or if the originally identified activities were no (sic) completed”.

*Question:*

Please identify which “originally identified activities were not completed”. Please indicate what the cost of those activities, actual or forecast is.

### **Interrogatory 9**

*Reference* JD 1.2, p. 5 of 41

NextBridge refers to “certain costs, such as land optioning and Indigenous participation, that could have been delayed to the construction phase”.

*Question:*

Please identify all activities, and related costs, that could have been delayed to the construction phase but were pursued during the development phase.

### **Interrogatory 10**

*Reference* JD 1.2, p. 7 of 41

NextBridge refers to multiple rounds of open houses undertaken during the development period.

*Question:*

Please provide copies of all information that was provided at the open houses.

### **Interrogatory 11**

*Reference* JD 1.2, p. 7 of 41

NextBridge refers to “the enhancement of traditional knowledge studies and skills development”.

*Question:*

What is meant by the “enhancement of traditional knowledge studies and skills development”?

### **Interrogatory 12**

*Reference* JD 1.2, p. 8 of 41

NextBridge indicates that it “provided an additional 12 capacity funding agreements to communities, and provided a total of \$1,310,582 during that period (the extended development period)”.

*Question:*

Please identify why the extension of the development period caused the need for this additional expenditure.

### **Interrogatory 13**

*Reference* JD 1.2, p. 8 of 41

NextBridge indicates that approximately \$1.02 million was spent on “aboriginal consultation costs” during the extended development period.

*Question:*

How do the activities under the heading “Aboriginal Consultation Costs” differ from “Aboriginal Capacity Funding Expenditures”?

#### **Interrogatory 14**

*Reference* JD 1.2, p. 25 of 41

NextBridge states that “during the course of these engagements with Aboriginal communities, NextBridge learned that a deeper level of consultation was needed on the traditional territories of the communities”.

*Questions:*

- a) What is meant by a “deeper level of consultation”?
- b) What are “these engagements” and when did they occur?

#### **Interrogatory 15**

*Reference* JD 1.2, p. 34 of 41

NextBridge refers to “land owner engagement, environmental and engineering field studies that have been requested by MNRF”.

*Question:*

Please provide copies of all requests by the MNRF for “land owner engagement, environmental and engineering field studies”.

#### **Interrogatory 16**

*Reference* JD 1.2, Attachment 1

*Questions:*

- a) What is meant by “Budget Variance”?
- b) Please identify the activities which are encompassed by the term “scope change”?

#### **Interrogatory 17**

*Reference:*

- I) JD 1.2, Attachment 1
- II) JD 1.6, Table 1

*Questions:*

- a) In Attachment 1 to JD 1.2, the term “Project Extension” is used, and encompasses 19 items. In JD1.6, the term “Project Delay” is used. Are the terms synonymous? If not, what are the differences and what categories of activities and costs are included in each?

- b) In Attachment 1 to JD1.2, the term “Scope Change” is used. In JD 1.6, the term “Major Reroute” is used. Are the terms synonymous? If not, what are the differences and what categories of activities and costs are included in each?
- c) Please reconcile the categories and amounts listed in JD1.2 Attachment 1 and JD1.6, Table 1.

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