

**Hydro One Networks Inc.**

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**LAW**

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September 28, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**EB-2017-0182/0194/0364 – East-West Tie/Lake Superior Link – Confidential Documents of Hydro One**

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In accordance with the letter circulated yesterday by fellow counsel for Hydro One, Robert Warren, please find attached an unredacted version of Hydro One's response to Exhibit I, Tab 1, Schedule 18. This response is being provided in full and is no longer considered confidential.

Regarding the other two documents that have been redacted, Hydro One will make these documents available, but only in hard copy. Hydro One has been directed to not disclose these documents electronically, and SNC-Lavalin counsel will be present on the opening day of the proceeding to provide justification for the confidential treatment of said documents. In summary, given the competitive nature of this proceeding and the intellectual property associated with the innovative design, Hydro One will not electronically disclose Exhibit I, Tab 2, Schedule 24, Attachment 1 and Exhibit I, Tab 5, Schedule 21 electronically.

Hydro One relies on subsections 10.04(d) and (e) of the Board's Rules of Practice and Procedure to submit that the Board can order that the confidential version of a document be disclosed under suitable arrangements as to confidentiality or make any other order that the Board finds to be in the public interest.

Yours very truly,

**ORIGINAL SIGNED BY MICHAEL ENGELBERG**

Michael Engelberg  
enc

1 **OEB Staff Interrogatory # 18**

2  
3 **Reference:**

4 EB-2011-0140, UCT's Application for Designation to Develop the East-West Tie Line, Section  
5 5, Pages 72-74 (filed January 4, 2013)

6  
7 According to section 96(2) of the Ontario Energy Board Act, in an application under section 92,  
8 the OEB shall consider the interests of consumers with respect to prices, and the reliability and  
9 quality of electricity service, and the promotion of the use of renewable energy sources in a  
10 manner consistent with the policies of the Government of Ontario.

11  
12 Given the public interest mandate that is engaged in LTC applications, OEB staff is interested in  
13 exploring potential options with respect to prices and cost certainty.

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15 Hydro One stated in its September 22, 2017 letter to the OEB that "Hydro One is prepared to  
16 submit a Leave to Construct application, which will include a not-to-exceed price...".

17  
18 NextBridge indicated in its designation application that it would assume some risk for the  
19 construction cost forecast through performance-based ratemaking. At the time of the designation  
20 application, NextBridge planned to present this proposal as part of the LTC process.

21  
22 **Interrogatory:**

- 23 a) Is Hydro One willing to provide the OEB with a not-to-exceed price for the project? If so,  
24 what is that price? If not, please explain.
- 25  
26 b) Would Hydro One consider providing the OEB with varying capital costs for the project that  
27 reflect different risk sharing proposals between itself and ratepayers? For example, would  
28 Hydro One consider having certain specific risks shared between ratepayers and the utility,  
29 other risks absorbed by the utility, and other risks absorbed by the ratepayers, all of which  
30 would result in a specific project cost? If yes, please fill in Table 2 with the scenarios Hydro  
31 One is willing to provide. If not, please explain.

Table 2 (Please add or remove rows in the table below, as needed)					
Scenario #	Risks borne by the utility	Risks borne by the ratepayer	Risks shared between the utility and ratepayers	Project Cost (\$)	Comments
1				\$M	
2				\$M	
3				\$M	
4				\$M	

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c) Does Hydro One have any other proposals that the OEB might consider implementing in order to ensure the successful proponent brings its project into service in the timeline and cost established in this proceeding?

**Response:**

a) Hydro One would be open to consideration of a not-to-exceed price of \$683 million to deliver the project in accordance with the February Application and updated evidence, subject to the conditions of receiving Leave to Construct in January 2019, as well as environmental approvals by August 2019. This amount represents the upper bound of the updated Lake Superior Link cost estimate as per Exhibit I, Tab 1, Schedule 11 and follows the same methodology as outlined in Exhibit JT2.25.

Binding this commitment would require approval of the new Hydro One Board of Directors effective as of August 14<sup>th</sup>, and could be sought should the OEB consider Hydro One's application to be the preferred alternative.

1 b) Should the OEB wish to further explore additional alternatives, Hydro One would be happy  
2 to further discuss in-camera, however at this point in time Hydro One believes the  
3 Application as filed and the not-to-exceed alternative presented in a) provide good  
4 optionality for consideration.

5  
6 c) Hydro One strongly believes a number of innovative solutions have been proposed in the  
7 Application as-filed, and the consideration of granting leave with a not-to-exceed price  
8 would be new for both Hydro One and the OEB.

9  
10 Another potential consideration could be to have a performance-based incentive provided to  
11 the successful proponent if they are able to bring the project in-service close to or below  
12 budget, with sliding benefits the further away from approved budget. For example, should  
13 the project be delivered on-time and for say 2% under budget (i.e. \$629 million actual with  
14 2% below updated forecast of \$641.8 million), an appropriate incentive could be paid to the  
15 transmitter as a rider to future revenue requirements with reasonable consideration to sharing  
16 between the proponent and customers.