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File 94691

October 31, 2018

VIA RESS FILING AND COURIER

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

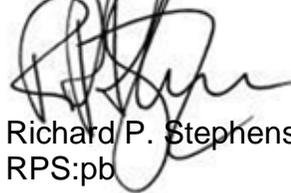
Dear Ms. Walli,

**Re: Upper Canada Transmission Inc. (on behalf of NextBridge Infrastructure)
Application for leave to construct an electricity transmission line between
Thunder Bay and Wawa, Ontario (EB-2017-0182)
- and -
Hydro One Networks Inc. - Application to upgrade existing transmission
station facilities in the Districts of Thunder Bay and Algoma, Ontario
(EB-2017-0194)
-and-
Hydro One Networks Inc. - Application for leave to construct an electricity
transmission line between Thunder Bay and Wawa, Ontario
(EB-2017-0364)**

Attached please find the Power Workers' Union's Submissions in connection with the above-noted proceedings. An electronic copy has been filed through the Board's RESS filing system, and two paper copies will follow by courier delivery.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson
RPS:pb

Attach.

c: Applicant (via email)
Intervenors (via email)

Doc 2701356 v1

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**Upper Canada Transmission Inc. (on behalf of NextBridge Infrastructure)
Application for leave to construct an electricity
transmission line between Thunder Bay and Wawa, Ontario
- and -
Hydro One Networks Inc.
Application to upgrade existing transmission station facilities
in the Districts of Thunder Bay and Algoma, Ontario
-and-
Hydro One Networks Inc.
Application for leave to construct an electricity transmission line
between Thunder Bay and Wawa, Ontario**

Submission of the Power Workers' Union

A. INTRODUCTION AND GENERAL COMMENTS

1. On August 13, 2018 the Ontario Energy Board (“OEB” or the “Board”) issued Procedural Order No. 1 for a combined hearing. Both NextBridge and Hydro One want to build the transmission line between Wawa and Thunder Bay. The OEB must decide which applicant will be granted leave to construct based upon the criteria set out in section 96(2) of the OEB Act. The OEB recognized that the most efficient manner to make that determination is to have the leave to construct applications heard together and therefore decided that the NextBridge-EWT Application (EB-2017-0182), the Hydro One-Station Upgrades Application (EB-2017-0194), and the Hydro One-LSL Application (EB-2017-0364) are heard together as a combined hearing (“Combined Hearing”).

2. NextBridge was selected as the designated transmitter in 2013. When the Board selected NextBridge it clearly stated that the designation did not provide it the exclusive right to apply for the Leave to Construct (“LTC”) or to build the line.¹

3. The Framework for Transmission Project Development Plans was designed, in part, to support competition for the benefit of ratepayers.² NextBridge was selected largely based on its cost forecasts, which were significantly below what it has proposed in this application.³ The same criteria used to select NextBridge as the designated transmitter for development work should apply in this hearing to grant Hydro One the LTC.

4. After the conclusion of the oral hearing, Hydro One advised of new information it had received from Ministry of Environment, Conservation and Parks (“MECP”). In particular MECP advised Hydro One on October 26 that Hydro One must obtain a full Class Environmental Assessment (“EA”) to expand the Wawa Transformer Station (“TS”).⁴ This information has a significant impact on the schedule of both the stations project and transmission line. There is now no doubt that the earliest date the EWT line can be used and useful is now dependent on the Wawa TS schedule. Despite Hydro One’s best efforts it is unlikely the EWT line will be in-service by December 2021 and virtually impossible for it to be in-service by December 2020. This event eliminates any scheduling competitive advantage NextBridge has over Hydro One. As schedule is no longer a distinguishing factor, there is additional emphasis on where these projects differ, and in particular, on the respective costs to ratepayers of each of the proposals.

5. Hydro One’s Lake Superior Link (“LSL”) project is significantly better for ratepayers than NextBridge’s East-West Tie (“EWT”) line. Hydro One’s lower project costs and ongoing costs contribute to a revenue requirement that is at least \$13M lower than that of NextBridge on a sustained basis. The net present value (“NPV”) of Hydro One’s LSL is at least \$150M lower than NextBridge’s EWT.

¹ EB-2011-0140, East-West Tie Line Designation Phase 2 Decision and Order, p. 4.

² EB-2010-0059, Board Policy: Framework for Transmission Project Development Plans, p.1.

³ EB-2011-0140, East-West Tie Line Designation Phase 2 Decision and Order, p. 32

⁴ Hydro One Letter dated October 29, 2019

6. From the PWU's perspective, evidence clearly supports the selection of Hydro One to build its proposed LSL over NextBridge's EWT. Additionally, the Board should approve the stations project as proposed.

B. POWER WORKERS' UNION'S SPECIFIC SUBMISSIONS

I. Costs

Hydro One's LSL Project Costs Are Lower

7. According to section 96(2) of the Ontario Energy Board Act, the Board should consider the interest of consumers by considering only price, reliability, and the quality of electricity service. By these criteria, the evidence is clear that Hydro One's LSL application is superior to NextBridge's EWT application and is more aligned with consumer interest.

8. In terms of price, Hydro One's LSL proposal is significantly better for ratepayers and the comparison is not a close one. The LSL construction costs are \$112M, approximately 15%, lower than NextBridge's EWT. Approximately 85% of Hydro One's project costs are tied to a ready-to-execute fixed-price contract with SNC-Lavalin so there is minimal risk that actual project costs will exceed Hydro One's proposed cost of \$642M. Any amounts above \$642M will be subject to a stringent prudence review in which excess amounts would need to have been prudently incurred and unforeseeable.

Construction Costs of NextBridge-EWT and Hydro One-LSL Proposals⁵

	Category	NextBridge	HONI – Through the Park	HONI- Around the Park
	Route Length	443 km	403 km	443 km
1	Engineering, Design & Procurement	\$19,342,245	\$16,304,000	\$18,289,939
2	Materials & Equipment	\$89,408,231	\$58,713,000	\$64,584,000
3	Environmental Approval/Monitoring/Mitigation	\$13,030,561	\$2,423,000	\$2,422,851
4	Land Rights	\$23,830,512	\$10,558,000	\$10,558,054
5	Indigenous Participation	\$7,000,000	Included in 8 – Site Clearing, Access	Included in 8 – Site Clearing, Access
6	Indigenous Consultation	\$13,211,000	\$3,615,000	\$3,614,637
7	Other Stakeholder Engagement	\$2,530,194	\$30,000	\$30,000
8	Site Clearing, Access	\$107,463,339	104,339,000	\$116,860,000

⁵ K4.2 - OEB Staff Summary of the Evidence on Costs

9	Construction	\$356,547,573	\$355,530,000	\$373,232,000
10	Site Remediation	\$13,898,699	Included in 8 - Site Clearing, Access	Included in 8 – Site Clearing
11	Interest During Construction	\$31,003,000	\$43,845,000	\$46,388,481
12	Contingency	\$49,339,445	\$5,401,000	\$5,401,254
13	Regulatory	\$5,405,078	Included in 15 - Overhead	Included in 15 - Overhead
14	Project Management	\$4,900,644	\$6,085,000	\$6,085,000
15	Overhead		\$8,506,000	\$8,887,658
16	Other Costs		\$9,451,000	\$9,481,000
	Total Cost – Construction	\$736,970,521	\$624,800,000	\$665,834,874

9. NextBridge’s proposed project budget, while already considerably higher, also carries more risk to ratepayers. NextBridge’s contract with Valard covers only 60% of the total project costs and it’s not clear whether the contract amount put forward in NextBridge’s application is still valid. At various times NextBridge asserted that the project costs would increase and its schedule would be pushed back with delays to obtain approvals. However, as delays became evident NextBridge continues to shorten it’s work schedule while maintaining that it’s budget won’t increase.

10. NextBridge claims the shorter schedule is sufficient and its costs won’t increase based on “assurances” from Valard. However, no witness from Valard was made available for cross examination. NextBridge confirmed that it has no written agreement in place with Valard to complete the project according to the currently proposed schedule and budget. Even more remarkably, NextBridge confirmed that Valard’s assurances were never reported on or “memorialized” in any internal communication of any kind within NextBridge (e-mail, memorandum or report):⁶

MR. STEPHENSON: I am going to keep asking this question until I get an answer. The question is very clear. My question is: Did you memorialize that confirmation between people in NextBridge in writing? That is my question.

MR. MAYERS: No, we have not.

MR. STEPHENSON: Sorry. Let --

MR. MAYERS: The answer is, no, we have not.

MS. TIDMARSH: No.

MR. STEPHENSON: How do you find out about it? You just chatted?

⁶ Hearing Transcript 6, page 138, lines 7-25

MR. MAYERS: As I said, our executives talk all the time. And then from our perspective, our team on the NextBridge side spoke to the vice-president of engineering and construction, who then spoke to the executive vice-president of engineering and construction, who had spoken to the Valard executive, and the decision was made that we're in this. We are going to continue in this. And your date and your costs are good at this point in time.

11. The documentary record in this proceeding is clear that NextBridge understood that the OEB's rejection of its motion to dismiss Hydro One's LTC application meant that NextBridge would not be receiving any OEB approval in time for it to commence construction in the autumn of 2018 (which was necessary to preserve its proposed December 2020 in-service date). NextBridge was sufficiently concerned that the December 2020 in-service date would be lost that it took the extraordinary step of communicating directly with the Minister of Energy in July 2018, seeking his direct intervention and circumventing the OEB's approval process.⁷

12. If NextBridge is to be believed, it received the oral assurance from Valard in early September 2018 that the December 2020 in-service date could be maintained even with a spring 2019 construction start.⁸ In the circumstances, this news must have been both (a) very significant to Nextbridge; and (b) a huge relief to NextBridge. Notwithstanding this significance, NextBridge is asking the Board to believe that this assurance was not documented, in any form whatsoever, either between NextBridge and Valard, or within NextBridge itself. In the PWU's view, this explanation defies both ordinary corporate norms, and common sense.

13. A footnote to NextBridge's latest schedule⁹ notes "Construction milestones by segment are subject to renegotiation with EPC on approval of LTC and can be provided to the OEB prior to construction commencement." It is simply not credible that renegotiations with Valard would not result in higher costs. The PWU submits that the Board should not accept Valard's supposed "assurances" to NextBridge on its schedule

⁷ Exhibit I.NextBridge.Staff.51, Attachment 3, pages 21-23 of 69

⁸ Remarkably, this oral assurance apparently confirmed not only that the in-service date could be maintained, but also that it could be achieved without any incremental costs, notwithstanding the compression of the construction schedule by more than 5 months: Exhibit I.NextBridge.Staff.51, Part a

⁹ Exhibit I.NextBridge.Staff.49, Attachment 1 and Undertaking J6.1

and costs after repeatedly claiming any approval delays would result in schedule delays and increased costs to ratepayers.

14. It is clear that NextBridge's current schedule and budget are based on circumstance, and not on any serious evaluation of what it can achieve. NextBridge testified that if its in-service date could be delayed to December 2021 it could actually achieve lower project costs.¹⁰

MS. DUFF: Scenario 1; the stations aren't ready until December 2021, and I understand all of the caveats about that. Do we have any information in evidence today of what that does to your cost, that therefore the Board says you know what, NextBridge, I know you are ready to go for 2020 but we really don't need it for 2021.
If that is the scenario that's what the Board decides in this combined proceeding, do we have any information of what that does to your costs?

MS. TIDMARSH: I will just confer with my panel. Thank you.
[Witness panel confers.]

MS. TIDMARSH: So if NextBridge did not have to accelerate to ensure that it was going to meet a December 2020 date, and a decision was made and communicated to NextBridge by the Board that the 2021 date was more appropriate, we believe that we could actually bring the costs in lower than what we have.

So we have some costs in there that are -- you can see in IR 49 there's four caveats about doubling up on management crews and that type of thing.
So we think that we will still be within the plus or minus 10 percent band, but we could be tighter on that.

...

MR. MAYERS: Yes. So, I mean, back to what Ms. Tidmarsh said, what you are basically doing is providing some relief and if indeed this Board chose to modify the in-service date, that the cost could -- we're comfortable with our 737 number and we're not saying -- you know, the 10 percent number is closer to a Class 1; I think we said we're on the cusp of Class 1. We've kind of been saying we're checking the boxes as we go here. There's certain things we need to have done to get us in a tighter band. This leave-to-construct obviously is one, and the EA is the -- is really the biggest key.

MS. WALDING: The other part, too.

MR. MAYERS: But we believe we could come in much closer to our 737 number and potentially save some additional money on it.

15. The proposed \$737M is an Association for the Advancement of Cost Engineering ("AACE") Class 2 estimate and has a +5% to +20% cost estimate accuracy.¹¹ In the

¹⁰ Hearing Transcript 7, pages 49-52

¹¹ Exhibit I.NextBridge.Staff.49, part a)

interrogatory referenced by NextBridge, it was asked to provide an updated construction cost estimate. Its response is that there may be an increase in the cost of construction due to additional environmental conditions to start in Spring 2019 instead of Fall 2018, increased equipment and crews to meet the shortened schedule, adjustments to equipment, materials, and labour in their contract with Valard, and increased oversight of the additional crews and/or shift. No figures were provided in the response but NextBridge states that these additional costs will not push the construction cost above 20% higher than \$737M (or \$884.4M).

16. In the above exchange, NextBridge is not saying they can bring their costs down below \$737M, they are saying they can reduce the incremental costs above \$737M. NextBridge cannot reasonably claim that a shortened work schedule will have no impact on its costs while also saying its costs will decrease if its in-service date is delayed. It is clear that with a December 2020 in-service date NextBridge expects its construction costs will exceed \$737M.

17. The PWU submits that it defies logic that a significant schedule compression can be achieved at no incremental cost, while at the same time a schedule extension can result in incremental savings. This asymmetry may be attractive to NextBridge, but it is entirely lacking in credibility.

18. There is an additional matter worthy of note in relation to capital costs. The degree that NextBridge's capital cost recovery will be greater than Hydro One's is amplified by the higher share of return subject to payments in lieu of taxes ("PILs"). Hydro One is offering 34% equity to the Bamkushwada Limited Partnership ("BLP"), which will correspondingly reduce PILs recovered in rates by 34%. NextBridge has proposed only a 20% equity partnership.

Hydro One's Ongoing Operating Costs Are Lower

19. Hydro One's ongoing OM&A costs are considerably lower than NextBridge's proposal. By virtue of performing these functions every day within Ontario, it can be expected that Hydro One would have a reasonable forecast of effort it would take to serve this transmission line. This is not the case with NextBridge, as its forecasts have

fluctuated over the years, from \$7,416,610 in its original application¹² to \$4,725,610 in May¹³, and now down to \$3,926,147 during the hearing, which is shown below.¹⁴

Annual OM&A Cost of NextBridge-EWT and Hydro One-LSL Proposals

Category	NextBridge	HONI
NextBridge: Maintenance	\$1,218,147	
NextBridge: Operations	\$54,000	
NextBridge: Regulatory	\$205,000	
NextBridge: Compliance, including administration	\$2,449,000	
Hydro One: Vegetation Maintenance		\$340,000
Hydro One: Overhead Lines Maintenance		\$277,000
Hydro One: Operations		\$647,000
Hydro One: Administration		\$235,000
Average Total Annual OM&A Costs	\$3,926,147	\$1,499,000

20. As Ontario's principal transmitter, Hydro One has established operations in the province it can leverage to meet the ongoing needs of the LSL. Hydro One proposes to have its day-to-day operations provided through a service level agreement between the new partnership and Hydro One in which it provides maintenance, inspection, operations and control centre functions.

21. NextBridge, on the other hand, intends to use an untested mix of support services from employees in Texas, only two-full time employees, and an assortment of contracting services, of which there are currently no contracts in place.¹⁵ It is simply unreasonable to have only two people do the amount of work NextBridge expects.¹⁶

MR. WARREN: So there will be two people who will be based in Thunder Bay, and their function will be what?

MR. MAYERS: Their function is to -- on the day-to-day is the vegetation management support, line inspection support. They're setting up, you know, the tree-trimming requirements. They will be working with contractors to ensure that the right-of-way is kept clean. They will be doing annual inspections with support staff from either -- one of our contractors, potentially with the Aboriginal communities, supporting the vegetation management. There will be annual inspections that will be done on the line. And from those inspections, a determination will be made as

¹² EB-2017-0182 Exhibit B, Tab 12, Schedule 1, Attachment 1

¹³ Exhibit I.NextBridge.Staff.54

¹⁴ K4.2 - OEB Staff Summary of the Evidence on Costs

¹⁵ Hearing Transcript 6, pages 56-58

¹⁶ Hearing Transcript 6, page 58, lines 9-28

to what type of vegetation work needs to be done. There will be inspections of the line, the structures, the foundations, the guying. They will be looking at insulators. These are typical inspections that are done. They will be done on an annual basis.

MR. WARREN: And two people are going to do all of those things?

MR. MAYERS: That's correct. We run lean.

The LSL Has a Lower Customer Impact

22. In total, lower depreciation and return on capital costs from a lower construction cost, lower PILs from greater share of indigenous participation, and lower ongoing OM&A costs contribute to a LSL revenue requirement that is materially lower than NextBridge's EWT proposal. Beginning in the second year, Hydro One's proposed revenue requirement is approximately \$50M.¹⁷ NextBridge's revenue requirement is \$63M¹⁸, approximately 26% higher. Consumer prices are one of the three criteria for the Board to consider selecting a proponent to grant the LTC.

23. The long-term benefit of the LSL on customer rates is clear from a discounted cash flow perspective. As outlined in the table below¹⁹, the NPV of Hydro One's project is \$147.3M lower than NextBridge's.

Table 1: Comparison of Discounted Cash Flow (\$ million)

	2016	2018
Hydro One without cost of delay	(586.8)	(583.5)
Hydro One including cost of delay to 2021	(601.9)	(598.7)
Impact	(15.1)	(15.2)
NextBridge without cost of delay	(736.1)	(732.8)
NextBridge including cost of delay to 2020	(749.4)	(746.0)
Impact	(13.3)	(13.2)
Variance between Hydro One and Nextbridge	147.5	147.3

¹⁷ EB-2017-0364 Exhibit B, Tab 9, Schedule 1, Attachment 3

¹⁸ EB-2017-0182 Exhibit B, Tab 12, Schedule 1, Attachment 1. Average of first 5 years

¹⁹ Exhibit I, Tab 5, Schedule 22, Table 1

However, it is now clear that the delays to the stations project (as described below) will cause a delay for both transmission line projects. The delay removes any incremental delay costs attributable to Hydro One's later in-service date. The variance between Hydro One and NextBridge's discount cash flows will have increased as a result, likely in excess of \$150M.

24. It is telling that, despite changes to their revenue requirement, NextBridge has not provided an updated revenue requirement and does not at all mention the revenue requirement in its Argument-in-Chief. The only reference to the costs to consumers in their Argument-in-Chief is to a January interrogatory response²⁰ that calculates \$0.35 monthly impact to residential customers with a caveat that OM&A costs have since changed.²¹ NextBridge has not provided any up-to-date figures in this area because it knows they are unfavourable in comparison with Hydro One. It is clear, even to NextBridge, that Hydro One's LSL proposal is more aligned with the consumer price criteria as it is materially superior for ratepayers.

System Costs of Delay are the Same for NextBridge and Hydro One

25. The delay to stations in-service dates negates any apparent benefits of having the transmission line in-service by December 2020. The system costs of delay detailed in the IESO's Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion²² would not differ based on the proponent granted the LTC. Additionally, delays may not be harmful to ratepayers from an overall cost perspective. The system costs, primarily capacity costs, are significantly lower than the revenue requirement in the years assessed by the IESO. The potential costs of delay, which range from \$17M in 2020 to \$45M in 2024, are lower than Hydro One's revenue requirement of approximately \$50M.²³

26. The 2020 costs will be incurred regardless of the proponent selected to undertake this project due to delayed station in-service dates. In response to a PWU

²⁰ Exhibit I.B.NextBridge.HONI.10, p. 2

²¹ NextBridge Argument-in-Chief, p. 10

²² K4.4 - June 29th, 2018, Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion

²³ Exhibit I, Tab 1, Schedule 17

interrogatory, Hydro One's indicated that its project will produce ratepayer benefits over NextBridge's project until 2026 due to the significant differences in project costs.²⁴

27. The IESO's potential costs of delay may be overstated, since the analysis implicitly assumes the cost of any additional capacity is the lifetime levelized cost of new local generating capacity.²⁵ Although a cost range is provided in Table 1 that considers the possibility of acquiring capacity at significantly lower prices, the Potential Capacity Costs used in Table 2, which have been the figures considered by parties in the analysis relating to the system delay costs, are based on the high \$180/kW-year assumption. These figures are close to the ceiling of the price range and do not reflect that cheaper options are available.

28. Demand response was cleared at \$80/kW-year in 2018 and the IESO does not know the cost of continuing expiring generators or acquiring capacity from Manitoba or Minnesota.²⁶ The IESO indicated that it believed the existing generators with expiring contracts are still in good condition and should be available to be re-procured.²⁷ These facilities may require some level of reinvestment but will otherwise be fully depreciated and can be expected to offer capacity at a rate lower than a greenfield generator.

29. Though it is not unreasonable for the IESO to use the values in which it has the most certainty, there is a strong likelihood that cheaper, though unknown in value, options will be available. The PWU submits that the system delay costs have been overstated and that, even with these high estimates, costs arising from delays to the in-service date are greatly outweighed by lower revenue requirements associated with Hydro One's proposal.

30. The delay to the stations work due to the MECP's decision to tie the NextBridge and stations EA work together will likely have the impact of delaying the EWT in-service date to beyond December 2020 to August 2021 at the earliest.²⁸ The MECP's recent decision to require a full Class EA for the Wawa TS makes a delay to December 2021 a

²⁴ Exhibit I, Tab 6, Schedule 6, part b

²⁵ K4.4 - June 29th, 2018, Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion, p. 3

²⁶ *ibid*

²⁷ Hearing Transcript 4, Pages 157-158

²⁸ J4.1

virtual certainty.²⁹ Therefore, there is no difference in system costs between NextBridge and Hydro One's respective proposals. The schedule for the overall EWT project is now dependent on the Wawa TS and not the competing lines schedules. The PWU submits that no additional system costs associated with delays can reasonably be attributed to either NextBridge's EWT proposal or Hydro One's LSL proposal.

II. Schedule

NextBridge's Schedule

31. Central to NextBridge's claim that its application is superior to that of Hydro One's is its assertion that it can have the EWT line in service by December 2020. The PWU submits that the December 2020 in-service date is not only aggressive but also increasingly becoming irrelevant for the following reasons:

December 2020 in-service date not a Requirement

32. As can be seen from its Argument-in-Chief, NextBridge continues to misrepresent the meaning of the Lieutenant Governor in Council's March 2016 order which declared that the construction of the EWT Line Project is needed as a priority project. NextBridge has continued to claim that the December 2020 in-service date is a requirement of the Order. This is notwithstanding the OEB's decision, on NextBridge's motion, that the Order-in-Council, while making reference to December 2020 in-service date, did not order or require that the EWT line be in-service by 2020.³⁰ Having failed in its attempt to have Hydro One's application dismissed, NextBridge again used the December 2020 in-service date to seek ministerial intervention and override OEB's ongoing regulatory approval proceeding.³¹ Similarly, NextBridge makes reference to the IESO's statement that it "continues to recommend an in-service date of 2020 for the E-W Tie Expansion project"³² as evidence that the December 2020 in-service date is a "requirement" whereas the IESO's statement can only be understood to mean that the December 2020 in-service date is a preferred target and not a timeline that needs to be met at any cost. In fact, the very reason why the OEB asked the IESO to carry out

²⁹ Hydro One Letter dated October 29, 2019

³⁰ OEB Decision July 19, 2018

³¹ PWU Cross, OEB Transcript, Volume 6, page 148-154

³² EB-2017-0364, Exhibit B-02-01, Attachment 2, page 2.

assessments of system supply costs of in-service delays is that the Board rightly understood that it is not bound by the December 2020 in-service date target.

December 2020 in-service date is not Achievable

33. It is evident that the December 2020 in-service date is not achievable regardless of who builds the EWT line and therefore it can neither be considered NextBridge’s competitive advantage over Hydro One’s, nor should it be used as a baseline to assess the strengths and weaknesses of the two competing applications. The PWU submits that there are two major reasons for this:

34. First, since the time that NextBridge filed its Application, it has updated the project schedule to take account of the later than forecast EA and LTC approvals. In K6.1, the PWU put together a table that compares NextBridge’s detailed project schedule filed in response to OEB Procedural Order #3 dated May 3, 2018 with the one NextBridge filed in response to Staff 49 dated September 24, 2018. The comparison reveals significant delay with respect to most milestones including the start of the oral hearing, the issuance of Board’s LTC decision and order, approval of EA, and commencement of construction. The following is an extract from the table:

Table 1:

Activity	Response to OEB Procedural Order #3	Exhibit I. NextBridge.STAFF.49 Attachment 1	Difference
Start of Oral Hearing	June 4, 2018	October 2, 2018	4 months
OEB LTC Approval	July 2018	December 31 st , 2018	6 months
EA Approval	October 2018	February 2019	4 months
Construction (Commence Clearing and Access)			
Segment A	Q4 2018	Q2 2019	~+7 Months
Segment B	Q4 2018	Q2 2019	~+7 Months
Segment C	Q4 2018	Q4 2019	+12 Months
Segment D	Q2 2019	Q2 2019	~ -1 Month
Segment E	Q4 2018	Q2 2019	~ +7 Months
Segment F	Q4 2018	Q2 2019	~ +7 Months

*Individual activities within construction such as commencement of Towers Erection for Segment F are delayed by up to 17 months. See J6.1 for further activities and delays			
In Service	December 31 2020	December 31, 2020	Unchanged

Source: compiled from J6.1

35. Clearly, NextBridge’s assertion that it can meet the December 2020 in-service date is not credible. Significant project milestones have been delayed; however, NextBridge has kept the in-service date and project cost unchanged. NextBridge asserts that *“because of the fact that its engineering and planning activities are well-advanced at this point, NextBridge has been able to compress other parts of its schedule in order that it can maintain its planned December 2020 in-service date for the EWT Line Project”*.³³ In this regard, the updated schedule for construction & engineering filed in response to Staff 49 is compressed. NextBridge’s witness revealed during cross examination that the updated schedule filed in response to Staff 49 is partly informed by the assurance that NextBridge got from Valard that the latter can compress the construction time and meet the December 2020 in-service date.³⁴ However, what came to light during the cross is that there is no written agreement or document that shows the conversation between NextBridge and Valard.³⁵

36. Secondly, the December 2020 in-service date is unachievable because station work at Wawa and Marathon cannot be completed until late 2021 or later. This is particularly so after the new development that the MECP has required a full Class EA for the Wawa TS expansion.³⁶

37. The PWU submits that this new development with respect to the Wawa station is significant for both NextBridge and Hydro One and has significant implications to the Board’s consideration of the IESO’s evidence on the potential reliability impacts of delaying the in-service date of the EWT Expansion beyond 2020 and the projected system costs associated with managing the capacity gap for each of 2020, 2021, 2022, 2023 and 2024.

³³ NextBridge Argument-In-Chief, page 16

³⁴ Hearing Transcript, Volume 6, page 138, Lines 26-28 & page 139, lines 1-3

³⁵ Hearing Transcript 6, page 138, lines 7-25

³⁶ Hydro One letter to the OEB, October 29, 2018

Table 1 Projected Cost of the Incremental Capacity Requirements (2020-2024)

Year	Requirement (MW)	Allowable Load Rejection (MW)	Incremental Requirement (MW)	Projected Cost (2017\$ millions)	Projected Cost Range (2017\$ millions)
2020	239	150	89	\$16	\$7 to 20
2021	251	150	101	\$18	\$8 to 23
2022	272	150	122	\$22	\$9 to 27
2023	360	150	210	\$38	\$16 to 47
2024	394	150	244	\$44	\$19 to 55

38. NextBridge is as vulnerable to the potential incremental costs in the table as Hydro One because it is now clear that the December 2020 in-service date is unrealistic given that the line cannot be in service until 2021 or later. The question for the Board is, therefore, which of the two applications proposes a project cost that is better for rate payers even in the face of these unavoidable delays. The PWU submits that Hydro One’s proposed cost, which is significantly lower than NextBridge’s, would result in significant savings that outweigh the incremental costs associated with potential delays. As Hydro One points out in its Argument-in-Chief, approving Hydro One’s LSL application provides long-term benefits to Ontario’s ratepayers in the form of lower revenue requirements (approximately \$13 million per year) for the life of the line, achieved not only from the lower capital costs of the Hydro One project but from additional tax savings from Hydro One’s offering of a higher First Nations (“FN”) equity ownership and from substantially lower ongoing OM&A costs.³⁷

Hydro One’s Schedule

39. Hydro One’s application proposes an in-service date of December 2021 or one year later than NextBridge’s proposed in-service date of December 2020 that, based on the foregoing evidence, has become unrealistic and irrelevant for all intents and purposes.

³⁷ Hydro One Argument-In-Chief, page 2

40. In this proceeding, NextBridge has claimed that its application is superior to Hydro One's due to NextBridge's early start in developing relationships with Indigenous communities and in launching the EA process. The PWU notes that Hydro One, in its Argument-In-Chief, has made the point that considerations of Indigenous consultation and the process for obtaining the required environmental approvals are matters that should not be determinative of which of the LTC Applications should be granted as they are outside the OEB's jurisdiction under section 92 of the OEBA.³⁸ The PWU agrees in principle with Hydro One on this point; however, the PWU also recognizes the relevance of these considerations to the extent that they impact in-service date and public interest.

41. The fact of the matter is that while NextBridge has the advantage of early start with respect to Indigenous consultation and EA, Hydro One's proposed in-service date gives it reasonably sufficient time to close the gap. More importantly, the decision of the MECP to require a full Class EA for the Wawa station wipes out any advantage that NextBridge has over Hydro One as a result of its early start.

42. Hydro One's evidence shows that it has made significant progress with regards to Indigenous consultation on its proposed LSL Project. Similarly, Hydro One has proceeded with two options with respect to its EA approval: one being obtaining a Declaration Order once the EA approval for NextBridge's project is issued and the other one by completing the individual EA process. There is no evidence that Hydro One cannot advance or complete Indigenous consultation and the EA process so as to permit an in-service date of 2021. In fact, in the face of the delay to the Wawa station work imposed by MECP, which may result in the delay of the EWT line even beyond 2021, Hydro One is better positioned to complete the EA process more realistically.

43. In response to Staff 7, Hydro One put together a Table that shows EA approval date scenario analysis including impact of any delay on in-service date and cost. It can be seen that a 12-month delay, the worst case assumed in the response, would result in the in-service date being delayed by a year - December 2022 - and in additional cost of about \$14 million, both of which are acceptable given the unavoidable delay in the EA

³⁸ Hydro One Argument-In-Chief, page 2

process for the stations and cost savings that the ratepayers would enjoy owing to Hydro One's lower project cost.

Table 1 – EA Approval Date Scenario Analysis					
Schedule - Preferred Route	Baseline	EA Delay			
		1 Month	3 Month	5 Month	12 Month
Submit Section 92 Application to OEB	Feb-2018	Feb-2018	Feb-2018	Feb-2018	Feb-2018
Projected Section 92 Approval	Jan-2019	Jan-2019	Jan-2019	Jan-2019	Jan-2019
Finalize EPC Contract with SNCL	Feb-2019	Feb-2019	Feb-2019	Feb-2019	Feb-2019
Environment Assessment and Consultation					
Obtain EA Approval from MOECC	Aug-2019	Sep-2019	Nov-2019	Jan-2020	Aug-2020
Ongoing Stakeholder Consultations	Dec-2021	Dec-2021	Dec-2021	Dec-2022	Dec-2022
Lines Construction Work					
Real Estate Land Acquisition	Mar-2020	Mar-2020	Mar-2020	Mar-2020	Mar-2020
Detailed Engineering	Feb-2019	Feb-2019	Feb-2019	Feb-2019	Feb-2019
Material Deliveries	Jul-2020	Jul-2020	Oct-2020	Dec-2020	Jul-2021
Construction Completion	Sep-2021	Oct-2021	Dec-2021	Nov-2021	Sep-2022
Commissioning Completion	Dec-2021	Dec-2021	Dec-2021	Dec-2021	Dec-2022
In Service Date	Dec-2021	Dec-2021	Dec-2021	Dec-2021	Dec-2022
Cost Impact (\$000s)	\$0	\$0	+\$1,359	+\$4,472	+\$14,761

44. Hydro One anticipates it will be able to maintain a December 2021 in-service date regardless of whether it obtains a Declaration Order or an Individual EA.³⁹ However, the start of construction will begin 2 months later if Hydro One must obtain an Individual EA and additional costs will be incurred to pursue the EA so a Declaration is the preferred option.

45. During the hearing, NextBridge indicated it may withdraw its EA if they are not selected, but it would still seek recovery of the costs to produce the EA from ratepayers.⁴⁰ This would cause an unnecessary duplication of EA work to the detriment of ratepayers. The PWU submits that NextBridge's recovery of development costs should be conditional on not withdrawing the EA and on cooperating with Hydro One to ensure its EA application is carried out to completion.

³⁹ Exhibit I, Tab 1, Schedule 14, part h)

⁴⁰ Hearing Transcript 5, p. 38, lines 18-28

III. Consultations

First Nations & Metis Consultations

46. Hydro One has made significant strides in consulting with Indigenous communities despite challenges caused by the accelerated application process and exclusivity agreements that NextBridge has with these communities. Hydro One has met with and is in ongoing discussions with all 18 Indigenous communities identified by the Ministry of Energy and four additional communities who have expressed interest on the project.⁴¹

47. As the principal transmitter in Ontario, Hydro One has a long history of engaging and consulting with Indigenous communities. Hydro One has an ongoing relationship with Indigenous communities as they directly serve 89 First Nation communities and thousands of Metis across the province.⁴² Hydro One also hosts a FN Engagement Session to strengthen relationships with the FN communities.⁴³

48. Hydro One has sought to provide capacity funding arrangements with each of the effected communities to participate in the engagement process and already has such arrangements in place with several communities. The capacity funding agreements allow the opportunity to hire a consultation coordinator, participate in EA-related reviews, traditional knowledge studies and host community meetings. Hydro One is also committed to providing Indigenous employment and contracting opportunities to a greater extent than NextBridge. For example, Hydro One has budgeted over \$18M for Indigenous participation in the construction phase of the project, more than double what NextBridge has budgeted.

49. Hydro One has offered 34% equity participation to the BLP and NextBridge has offered only 20% equity share. Though the LSL rate base will be considerably lower than NextBridge's proposal, in absolute terms the 70% higher share will provide larger dividends for the communities within the BLP.

⁴¹ Hearing Transcript 1, p. 40, lines 4-10

⁴² Hearing Transcript 1, p. 40, lines 9-16

⁴³ Exhibit I, Tab 1, Schedule 15, page 6, part k. i.

50. Hydro One's indigenous consultation efforts to date have been restricted by NextBridge's exclusivity agreements with FN communities and the Metis Nation of Ontario. These exclusivity agreements have precluded Hydro One from meaningfully discussing accommodation measures and economic participation with the Indigenous communities.⁴⁴

51. Through the B2M Partnership Hydro One has previous experience with a transmission line jointly owned with Indigenous communities. Despite the challenges arising from NextBridge's exclusivity agreements, Hydro One's experiences give it an unparalleled understanding of the time and effort required to properly engage with and accommodate the communities impacted by the proposed LSL.

52. NextBridge has had many years to consult with Indigenous groups since it became the transmitter designated for development work of the EWT line. Hydro One has not had as much time for these activities as they only filed their application earlier this year following significantly higher cost estimates in NextBridge's project.⁴⁵ Hydro One's Indigenous consultations have significantly grown in recent months, as demonstrated in their record of consultation⁴⁶ and consultation update during the hearing.⁴⁷

53. Despite their limited opportunity for consultations to date, their current and planned consultations are robust and will sufficiently address Indigenous questions and concerns. The delayed station schedule resulting from the MECP's October 26 position on Wawa TS⁴⁸ will provide Hydro One more time to consult with Indigenous groups than originally anticipated.

54. Hydro One's ongoing consultations with Indigenous communities is an important component of the utility's operations, but as discussed in Hydro One's Argument-in-Chief,⁴⁹ consideration of Indigenous consultations is outside of the OEB's jurisdiction with respect to granting LTC applications. The PWU agrees with Hydro One's

⁴⁴ Exhibit I, Tab 1, Schedule 15, p. 4, part e)

⁴⁵ EB-2017-0364 Exhibit B, Tab 1, Schedule 1, page 6

⁴⁶ Exhibit I, Tab 1, Schedule 15, Attachment 1

⁴⁷ Hearing Transcript 1, Pages 40-44

⁴⁸ Hydro One Letter dated October 29, 2019

⁴⁹ Hydro One Argument-in-Chief, page 2

submissions on this matter. The PWU further submits that, if the Board were to consider Indigenous consultations, Hydro One is in a better position to provide accommodations, economic participation, and ongoing engagement than NextBridge.

Other Consultations

55. As Ontario's largest distributor and principal transmitter, Hydro One is continuously consulting with its customers. They are keenly aware of the Board's expectations with respect to consultations and how to best communicate with customers and parties impacted by its activities. Hydro One intends to consult, or has already consulted, with property owners, local officials, government agencies, local interest groups, and the general public, in addition to the Indigenous communities as described earlier in this submission.⁵⁰

56. Hydro One held a series of nine well-publicized community information centres ("CIC") from June 11th to June 14th in municipalities near the proposed line. The CICs helped inform communities of Hydro One Terms of Reference for the proposed route through Pukaskwa National Park. Hydro One will hold another series of CICs in the same communities as part of its consultation plan for its EA. Hydro One plans to follow up with certain interest groups such as trappers, property owners and other groups that request to meet with Hydro One.⁵¹

57. Consultations in the development phase of the project has provided the community with an understanding of the EWT line. Hydro One's community consultations allow it to reiterate the benefits of the project for the Northwest region while informing the community of the alternate route and project costs of its proposed LSL line. Hydro One has provided this information to the communities in various forms including community flyers, presentations to various organizations, a dedicated project website, and a project hotline.⁵²

58. The process of consulting with communities is ongoing and will continue throughout the construction phase of the project. The prospective schedule delay

⁵⁰ Exhibit I, Tab 1, Schedule 16, Attachment 2

⁵¹ Exhibit I, Tab 16 Schedule 16, Attachment 1, page 99

⁵² Exhibit I, Tab 16 Schedule 16, Attachment 1, page 100

brought on by the Wawa TS delay⁵³ will only give it more time and opportunities to ensure communities are satisfied with the proposed LSL.

59. Hydro One's experience and resources within the province make it uniquely capable of making and strengthening lasting relationships with the effected communities. Hydro One understands that strong relationships with communities is a key component of its corporate success, not only for this project, but for future projects across the province.

IV. Stations

60. As part of this combined hearing the Board is considering Hydro One's LTC application for three stations in Wawa, Marathon and Thunder Bay. The station upgrades are required to enable the EWT's 450 MW transfer. Regardless of who builds the EWT line, the three station upgrades are necessary for the future supply and reliability of the Northwest region.

61. The upgrades require new facilities in each station, reconfiguration of existing facilities at the Wawa TS and Marathon TS, and additional reactive compensation at the Lakehead TS in Thunder Bay to mitigate an existing high voltage issue.⁵⁴ A Final System Impact Assessment provided by the IESO confirmed the stations project is adequate to support the new 450MW transfer.⁵⁵ Additionally, a Customer Impact Assessment confirmed the project will improve power supply reliability in the Northwest area.⁵⁶

62. Hydro One's stations application filed in July 2017 forecasted a March 2018 LTC approval date to begin work in May 2018 for an in-service date in November 2020.⁵⁷ As described earlier in this submission, the MECP's position is that the stations EA will not be approved before approval of NextBridge's EWT EA. The MECP's position had delayed the date Hydro One can begin work by effectively tying the EAs together.

⁵³ Hydro One Letter dated October 29, 2019

⁵⁴ EB-2017-0194 Exhibit B, Tab 1, Schedule 1, page 3

⁵⁵ EB-2017-0194 Exhibit F, Tab 1, Schedule 1, Attachments 1 & 2

⁵⁶ Exhibit G, Tab 1, Schedule 1, Attachment 1

⁵⁷ EB-2017-0194, Exhibit B, Tab 11, Schedule 1

63. In an undertaking response⁵⁸ Hydro One provided an updated project schedule. The in-service date for the stations project as a whole is driven by the schedule of Marathon TS. Marathon TS requires the most significant upgrade and land expansion so the work on that station is expected to be completed later than Wawa TS and Lakehead TS.

64. If the NextBridge EA is approved in February and Hydro One can begin its permitting applications as early as March 2019, the project is forecast to be completed in September 2021. In a best-case scenario, with earlier than expected approvals and favourable weather conditions, the project can be in-service by early August 2021.⁵⁹

65. In cross-examination and its Argument-in-Chief, NextBridge has proposed that Hydro One's stations project schedule is longer than what is needed.⁶⁰ The length of Hydro One's schedule has not changed from its original application over a year ago which was designed to meet a December 2020 in-service date. To meet this date, construction would have to have started by July 2018.⁶¹ The delay to the in-service date is simply a function of the EA delay stemming from the MECP's decision. The PWU submits that Hydro One's proposed September 2021 in-service date for the stations project is reasonable.

66. Hydro One's proposed \$157.3M budget for the stations project is reasonable given the scope of work required to upgrade the three stations. The costs on a per station basis are comparable to recent reconfiguration work on the Orangeville TS.⁶²

67. The stations work is a necessary component of the EWT transmission line and lead to a modest 1.37% increase on the Network Pool Provincial Uniform rate for a total rate impact of 0.05% on a typical residential customer. Given this work is necessary to support the provincially-designated priority project and the costs are in line with recent stations work, the PWU submits that the OEB should approve the stations project LTC as proposed.

⁵⁸ J4.01

⁵⁹ J4.01, page 2

⁶⁰ NextBridge Argument-in-Chief, Page 18

⁶¹ Exhibit I, Tab 5, Schedule 27, part c-i)

⁶² EB2017-0194 Exhibit B, Tab 8, Schedule 1, page 4

V. Conclusion

68. Hydro One's LSL project should be granted the LTC because it is materially better for ratepayers. Hydro One's LSL will save ratepayers more than \$150M (NPV) over NextBridge's project. NextBridge's LTC should be denied since its proposed project is either equivalent or inferior to Hydro One's in each of the three criteria relevant to the Board: consumer prices, reliability, and service quality.

69. It is clear from the evidence that Hydro One's project is more aligned with containing consumer rate increases. Any reliability impacts stemming from delays to the in-service date would be caused by delays to the Wawa TS and would therefore impact the LSL and NextBridge's EWT projects equally. Finally, Hydro One's large network of workers across the province are in a better position to serve customers than the two employees NextBridge plans to hire. The PWU submits that Hydro One's LSL project is clearly a superior choice for Ontario's ratepayers and should be granted the LTC.

70. The stations project is necessary to enable the high transfer load of the EWT line. No party has opposed the stations project. The PWU submits that the Board should approve the stations project as proposed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.