

**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

November 12, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Walli:

**Re: OEB Staff Interrogatories
Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP
Application for leave to construct transmission lines and associated
facilities in northwestern Ontario
Ontario Energy Board File Number EB-2018-0190**

In accordance with Procedural Order No.1, please find attached the OEB staff interrogatories in the above proceeding. This document is being forwarded to the applicant and to all other registered parties to this proceeding.

Yours truly,

Original signed by

Ritchie Murray
Project Advisor

Cc (by email):

Margaret Kenequanash, margaret.kenequanash@wataypower.ca
Charles Keizer, ckeizer@torys.com
Jonathan Myers, jmyers@torys.com

OEB Staff Interrogatories
Wataynikaneyap Power GP Inc. on behalf of
Wataynikaneyap Power LP (WPLP)
Leave to Construct
EB-2018-0190
November 12, 2018

B-Staff-1

Ref: Exh B-1-1 page 1

Ref: Exh B-2-1 page 1

WPLP has applied under section 92 of the OEB Act for leave to construct electricity transmission facilities from a point near Dinorwic to Pickle Lake, and extending north from each of Pickle Lake and Red Lake. The facilities would connect to the grid 16 remote First Nation communities which are currently served by local diesel generation.

Section 96(2) of the OEB Act says:

In an application under section 92, the Board shall only consider the following when, under subsection (1), it considers whether the construction, expansion or reinforcement of the electricity transmission line or electricity distribution line, or the making of the interconnection, is in the public interest:

1. The interests of consumers with respect to prices and the reliability and quality of electricity service.
2. Where applicable and in a manner consistent with the policies of the Government of Ontario, the promotion of the use of renewable energy sources. [emphasis added]

In WPLP's view, is this a case where the second consideration is "applicable"? If so, please explain how WPLP considered the "promotion of the use of renewable energy sources" in developing the Project.

B-Staff-2

Ref: Exh B-1-1 page 5

The Decision on Threshold Questions in Hydro One's application for leave to construct transmission line facilities in the Windsor-Essex Region¹ opines on what transmission facilities fall under the scope of section 92 of the OEB Act and for which an applicant must seek leave of the Board to construct, expand or reinforce. The decision concluded

¹ EB-2013-0421

that “transformer stations require approval under section 92 if they are associated with the construction of a line which exceeds 2 km in length, and are exempt if they are not.”²

At Exhibit B-1-1, page 5, WPLP states that:

Also described in this Application are certain facilities that will be designed, constructed, owned and operated by Hydro One and which are necessary to enable the interconnection of the Applicant's Proposed Transmission Facilities to Hydro One's transmission system. As WPLP will not be constructing those facilities, they do not form part of WPLP's Proposed Transmission Facilities. However, the Hydro One facilities do form part of the Transmission Project. Moreover, as the Hydro One facilities are comprised of interconnection facilities linking its transmission system with WPLP's adjacent transmission system, together with short line taps that are less than 2 km in length, Hydro One is exempt from having to seek leave to construct for its facilities pursuant to section 6.2(1)(c) and (f) of O. Reg. 161/99 under the Ontario Energy Board Act, 1998.

Please explain how in WPLP's view, its application is consistent with the OEB Decision on Threshold Questions in EB-2013-0421.

B-Staff-3

Ref: Exh B-1-1 page 8

The application states that, “WPLP requests the Board's approval, pursuant to Section 78(2) of the Act, for a cost recovery framework in respect of the Proposed Transmission Facilities [...]”

Section 78(1) of the OEB Act relates to transmission rates and section 78(2) relates to distribution rates.

Why is WPLP not seeking OEB approval under the Act for the cost recovery framework under section 78(1), which relates to transmission rates? Please explain.

B-Staff-4

Ref: Exh B-1-1 page 10

The Line to Pickle Lake is expected to be in-service by Q4 2020, the first community connected in Q1 2021 and all construction completed by Q4 2023.

When does WPLP expect to file its first application for transmission rates?

² Ibid., Decision on Threshold Questions, page 5

B-Staff-5

Ref: Exh B-2-1 page 15

First Nation LP (FNLP) holds a 51% interest in WPLP and is indirectly owned by the Participating First Nations. As a result, the net profits attributable to FNLP will not be subject to income taxes and less income tax will therefore be included in WPLP's revenue requirement than would be the case absent First Nations ownership.

- a) Fortis (WP) LP holds a 49% interest in WPLP and is indirectly held by Fortis Inc. Will the net profits attributable to Fortis (WP) LP be subject to the usual income tax?
- b) Are there any other tax impacts related to WPLP that are different from those for other utilities rate regulated by the OEB?
- c) Are there any other elements of revenue requirement that are affected by First Nations' ownership?

B-Staff-6

Ref. Exh B-3-1 Appendix A

In August 2016, WPLP applied to the OEB for a development cost deferral account.³ That application included a chart illustrating WPLP's ownership structure. In the current proceeding, WPLP filed a chart illustrating WPLP's ownership structure. The chart in the current proceeding does not include an entity called Fortis-Res PM Inc. ("Project Manager").

- a) Please explain the absence of Fortis-Res PM Inc. ("Project Manager") from the chart illustrating WPLP's ownership structure filed in the current proceeding.
- b) Please describe the role of Fortis-Res PM Inc.

C-Staff-7

Ref: Exh C-3-1 page 4

Ref: Exh B-2-1 page 10

Ref: Exh J-1-1 page 8

Ref: https://www.canada.ca/en/indigenous-northern-affairs/news/2017/08/the_government_ofcanadainvestsinbringingcleansafeandreliableelec.html

WPLP is constructing the first leg of the Red Lake Remote Connection Line, up to the Pikangikum First Nation Reserve, prior to constructing the remainder of the Transmission Project. Although most of the line will be constructed to 115 kV transmission standards, it will initially connect to Hydro One's distribution system and be

³ EB-2016-0262

operated by WPLP at a distribution voltage (44 kV) for a period of approximately 3-4 years. This will enable WPLP to connect the Pikangikum First Nation to the grid by late 2018. Construction of the Pikangikum System began in late 2017.

As noted in Exh C-3-1, the capital costs of developing and constructing WPLP's distribution facilities from Red Lake to the Pikangikum First Nation are being paid for through funding provided by INAC.

- a) What are the current forecast capital costs of developing and constructing the Pikangikum System from Red Lake to the Pikangikum First Nation?
- b) Does the cost in part (a) differ from the \$60.2 million INAC funding announcement on August 17, 2017? If yes, please explain why.
- c) Has funding from INAC been appropriated for the Pikangikum System? If yes, when was this finalized? If only part of the \$60.2 million funding has been appropriated, please advise of the amount and the date of that appropriation, and when the remainder of the funds are expected to be appropriated.
- d) Is any of the \$60.2 million INAC funding contingent on completion of this part of the project? If yes, please provide the details of the conditions related to completion status and any other conditions.
- e) Did WPLP have to secure financing from third parties for the Pikangikum System in advance of receiving INAC funding? If yes, please explain how this financing was achieved with respect to the financing issues identified by WPLP in Exh J-1-1. Was the financing secured from government and/or non-government (i.e., commercial) sources?

C-Staff-8

Ref: Exh C-3-1

Ref: Exh J-1-1

At the Pikangikum First Nation Reserve, WPLP's Pikangikum System will tie into the local distribution system serving customers within the community. The local distribution system is in transition to ownership and operation by Hydro One Remotes.

WPLP plans to apply for approval of distribution rates, to take effect upon the Pikangikum System going into service.

- a) What is the basis for determination of depreciation and rate base that will underpin future **distribution** rates for the Pikangikum System? Please explain how any appropriated funding from INAC will be considered in the determination of depreciation and rate base.

- b) Please explain any differences between the cost recovery proposal for the Pikangikum System operated at distribution voltage and the cost recovery proposal for the WPLP remote connection lines set out in Exh J-1-1.
- c) When does WPLP anticipate filing a distribution rate application for the Pikangikum System?

C-Staff-9

Ref: Exh C-4-1 page 1

Ref: Exh D-1-1 page 12

Ref: Exh B-2-1 Appendix B

At Exh C-4-1 page 1, it states that “Where feasible based on the geographical locations of the relevant remote communities, more than one community will be supplied from a single transformer station using radial lines operating at voltages of less than 50 kV.”

At Exh D-1-1 page 12, it states that “As the Wapekeka and Kitchenuhmaykoosib Inninuwig communities are relatively close to one another, a single, centrally located transformer station is able to cost-effectively supply both communities directly at 25 kV.”

- a) Is the Wapekeka-Kitchenuhmaykoosib Inninuwig TS the only instance in the Pickle Lake and Red Lake Remote Connections Lines of a centrally located transformer station that supplies more than one community? If no, please identify.
- b) If available, please indicate what alternative was considered to a single, centrally located transformer station to supply the Wapekeka and Kitchenuhmaykoosib Inninuwig communities and the estimated cost savings and other advantages of the proposed solution compared to that alternative.
- c) Please describe any other instances where a single, centrally located transformer station was considered for supplying more than one community but was not selected. Please indicate the reasons why it was not selected.

C-Staff-10

Ref: Exh C-5-1 page 3

Ref: Exh C-4-1 pages 1 – 4

At Exh C-5-1 page 3, it states that, “The IESO supported scope for the Remote Connection Lines is to build radial lines to the communities from system supply points at Red Lake and Pickle Lake to connect remote First Nation communities. [...] The IESO Scope Document further specifies that: [...] radial lateral connections to each community shall operate at either transmission-level voltage, or sub-transmission voltage, with economic considerations and performance requirements for lines at sub-transmission voltages; [...]”.

At Exh C-4-1 page 1, it states that, “The configuration of the Proposed Transmission Facilities has been “right-sized” and optimized to reduce the need for additional facilities and construction activity. Consistent with the IESO’s recommended and supported scope for the project, the use of distribution-level voltages for certain segments of the transmission facilities that supply Hydro One Remotes’ distribution systems will lessen the cost of project construction compared to the use of transmission voltages to serve the same need”.

At Exh C-4-1 page 3, it states that, “The Pickle Lake Remote Connections Lines will include radial connections that operate at 44 kV (2 line segments totaling 93 km) or 25 kV (9 line segments totaling 24 km) and that convey power to the relevant local distribution systems. The Red Lake Remote Connections Lines will include radial connections that operate at 25 kV (6 line segments totaling 21 km) and that convey power to the relevant local distribution systems”.

- a) Please list the Pickle Lake and Red Lake Remote Connections segments where lines less than 50 kV were used as an alternative to 115 kV lines.
- b) If available, please describe the estimated cost savings and other advantages arising from the use of lines less than 50 kV identified in response to part (a) above.
- c) Please describe instances where lines less than 50 kV were considered as an alternative to 115 kV lines but were not selected as the proposed option. Please indicate the reasons why they were not selected.

C-Staff-11

Ref: Exh C-4-1 page 1

Ref: Exh C-5-1 pages 7 – 8

The application states that, “The configuration of the Proposed Transmission Facilities has been “right-sized” and optimized to reduce the need for additional facilities and construction activity.”

Is the Applicant able to provide a high-level summary (in a bullet list or table, for example) of all actions or decisions taken to “right-size” and “optimize” the configuration of the proposed Transmission Facilities with a view to minimizing costs or cost effectiveness?

C-Staff-12

Ref: Exh C-6-1 page 2

The application states that, “[...] for communities currently supplied by Hydro One Remotes, the requirements of O. Reg. 22/04 already apply and no major distribution system upgrades are required prior to grid-connection.”

Has Hydro One Remotes provided confirmation to WPLP that no major distribution system upgrades are required for communities currently supplied by Hydro One Remotes prior to grid connection?

C-Staff-13

Ref: Exh C-6-1 pages 2-3

The application states that, “[...] Hydro One Remotes is or will be obligated to ensure that its distribution system in each community is designed, maintained and operated in compliance with O. Reg. 22/04 (Electrical Distribution Safety) under the Electricity Act, 1998.”

The application also states that “[...] In respect of the seven communities listed above that are served by IPAs, these communities are currently in the process of transitioning from the IPAs to being served by Hydro One Remotes.”

- a) What, if any, upgrades will need to be made to ensure that distribution systems of IPAs being transitioned to Hydro One Remotes service are designed, maintained and operated in compliance with O. Reg. 22/04 (Electrical Distribution Safety) under the Electricity Act, 1998”?
- b) What will be the cost of these upgrades?
- c) Please confirm that the costs of these upgrades are not included in the cost estimate for the Transmission Facilities.⁴

C-Staff-14

Ref: Exh C-6-1 page 3

The application states that “[...] In respect of the seven communities listed above that are served by IPAs, these communities are currently in the process of transitioning from the IPAs to being served by Hydro One Remotes.”

The application also states that “Generally, the effective date for their transition to receiving local distribution service from Hydro One Remotes will be planned to be before or to coincide with the date of grid connection.”

⁴ The “Transmission Facilities” are defined in the application cover letter (dated June 8, 2018) as the facilities to reinforce the transmission system from a point near Dinorwic to Pickle Lake, plus the transmission facilities extending north of Pickle Lake and north of Red Lake, collectively.

Is WPLP aware of any instances where transitions will be planned to be after the date of grid connection? If so, please explain.

C-Staff-15

Ref: Exh C-6-1 page 3

The application states “Notwithstanding its role as the licensed transmitter, WPLP has facilitated dialogue between the IPA communities, Hydro One Remotes and INAC to determine the process and requirements for transitioning to the provision of distribution service by Hydro One Remotes coinciding with grid connection. In addition to the process described in Section B above, for each IPA community Hydro One Remotes requires:

- Completion of technical and environmental assessments;
- Asset transfer and operating agreements;
- System upgrades to resolve deficiencies noted in the technical and environmental assessments; and
- Construction of appropriate Hydro One Remotes operating facilities consistent with the facilities in the other communities served by Hydro One Remotes (e.g. small work centre with equipment and material storage).”

- a) Please provide a brief update on the status of each of the bulleted items above for each of the IPA communities that will transition to Hydro One Remotes service.
- b) Please also indicate when all steps involved in the transition will be complete for each IPA community.
- c) What will be the total cost of the transition?
- d) Please confirm that the cost of the transition is not included in the cost estimate for the Transmission Facilities.

C-Staff-16

Ref: Exh C-5-1 pages 7 – 8

Ref: Exh B-2-1

Ref: Exh B-4-1 appendix D page 4

The IESO Scope Document calls for WPLP to facilitate the arrangement of the backup of electricity supply to maintain, at a minimum, certain essential loads in each of the remote communities.

The application states that “The supported scope for the Remotes Connection Project is as follows: [...] Facilitate the arrangement of backup electricity supply resources for connecting communities where: such facilities do not already exist, other arrangements have not been made or the community has not specifically requested an exemption [...]”.

The application also states that “WPLP engaged BBA to analyze and report on backup power supply options for the remote communities (the “Backup Power Report”) [...] WPLP has provided the Backup Power Report to certain stakeholders and is in the process of finalizing a communications and engagement strategy with respect to providing the report to individual communities.”

- a) Please provide a brief status update and outlook on the Applicant’s activities related to facilitating the arrangement of backup electricity supply resources for connecting communities as set out in the IESO Scope Document.
- b) How many communities will require backup power?
- c) How much back up power will be required?
- d) Where will the backup power be connected?
- e) How much will the required backup power cost?
- f) How will the costs of the backup power be recovered?
- g) Are any costs of the backup power reflected in WPLP’s cost estimates for the Red Lake Remote Connection Lines and Pickle Lake Remote Connection Lines? If so, please explain.
- h) Can the transmission project be placed in service without the backup of electricity supply? Please explain.

C-Staff-17

Ref: Exh C-5-1

Exh B-2-1 page 11 footnote 4

Ref: Exh B-2-1 page 13

The application states that “Any infrastructure required either by Hydro One Remotes to enable grid connection or by IPAs to enable transition to Hydro One Remotes is beyond the scope of this Application.”

- a) Are there any infrastructure elements required other than backup of electricity supply and the work to bring distribution systems in each community into compliance with O. Reg. 22/04 that are outside of the direct control of WPLP? If yes, please identify and please estimate the costs.

- b) Does WPLP have a coordinating role or any other role with respect to these other infrastructure elements?

C-Staff-18

Ref: Exh C-5-1 page 3

Ref: Exh C-6-1

Ref: ED-2003-0037

Ref: O. Reg. 442/01 *Rural or Remote Electricity Rate Protection*

The application refers to the communities of Kitchenuhmaykoosib Inninuwug and Big Trout Lake.

Footnote 1 of Exh C-5-1 at page 3 states that Kitchenuhmaykoosib Inninuwug is equivalent to Big Trout Lake, and that North Caribou Lake is equivalent to Weagamow/Round Lake First Nation. The distribution licence for Hydro One Remotes includes Big Trout Lake and Weagamow in Schedule 1 describing the authorized distribution service area. O. Reg. 442/01 lists Big Trout Lake and Weagamow in Schedule 2.

Is WPLP aware of any future licence and regulation amendments related to the identification of these two communities?

C-Staff-19

Ref. Exh B-1-1 page 10

Ref. Exh C-7-1

The application states that subject to receipt of all necessary permits and approvals, as well as conventional land rights, WPLP plans to commence construction of the Proposed Transmission Facilities in Q1 2019, beginning with the Line to Pickle Lake. Construction of the Remote Connection Lines will commence shortly thereafter in Q3 2019. The Line to Pickle Lake is expected to be in-service by Q4 2020, the first community connected in Q1 2021 and all construction completed by Q4 2023. The application states that, "it is critical for the project schedule that a decision be issued on this Application by early Q1, 2019."

Responses to interrogatories in the subject proceeding are due by the end of November. What is WPLP's plan in the event that the OEB is not in a position to issue a decision by early Q1, 2019? Please describe.

C-Staff-20

Ref: Exh C-7-1 pages 1 - 4

- a) Please provide a picture/visual depiction (such as a high-level Gantt chart) of the forecasted milestones listed in the table at Exh C-7-1, pages 1-4.
- b) Please provide an additional table and picture/visual summary of community connection milestones on the North of Pickle Lake Connection Line and North of Red Lake Connection Line (i.e. the existing table at Exh C-7-1, page 4 does not provide connection line-specific or community-specific detail).
- c) Based on the schedules above, approximately how many km of line will be built each year? Is this pace of construction consistent with other transmission projects the Applicants have been involved with?

C-Staff-21

Ref: Exh C-7-1 page 4

Ref: Exh D-3-1 page 8

The application states that, “[t]o conclude the EA process, the Applicant is in the process of completing the environmental effects and archaeological assessments on the corridor and corridor alternatives for the Remote Connection Lines.” The application also states that project schedule may be subject to constraints related to archaeological assessments.

- a) Please provide an update on the archaeological assessments for the Remote Connection Lines.
- b) Please summarize the findings of the archaeological assessments in terms of any impacts to the project schedule and project costs.

C-Staff-22

Ref: Exh C-7-1 page 7

At Ref: Exh C-7-1 page 7, it states that “WPLP’s expectation is that many project components will proceed in parallel. For example, it is expected that the construction of the Remote Connection Lines will commence prior to the completion date of the Line to Pickle Lake, and that construction of the Red Lake Remote Connection Lines and Pickle Lake Remote Connection Lines will be proceeding in parallel for a significant portion of the overall construction period.”

- a) Please indicate why WPLP has proposed to build Red Lake Remote Connection Lines and Pickle Lake Remote Connection Lines in parallel for a significant portion of the overall construction period.
- b) Are there risks that are unique to this approach? How does WPLP propose to manage such risks?

- c) Please indicate whether this parallel approach is similar to any other project the Applicants or their partners have been involved with previously.

C-Staff-23

Ref: Exh C-7-1

Ref: Exh C-6-1

Please describe the process for how WPLP is coordinating the construction of the Red Lake Remote Connection Lines and Pickle Lake Remote Connection Lines with the readiness of communities to connect to those lines.

C-Staff-24

Ref: Exh C-8-1 page 1

The application goes into detail in relation to the technical and cost recovery aspects of the Line to Pickle Lake and Remote Connection projects. However, the application does not go into much detail in terms of the costs related to those projects. The table on page 1 provides capital costs directly attributable to each of the Line to Pickle Lake and Remote Connection projects. However, most of the cost components (e.g., Environmental Assessments, Legal, Contingency, etc.) are only provided on an aggregated basis for the two projects (i.e., single dollar amount). Please expand the table referenced above by adding two columns so that it shows the fully allocated cost for the Line to Pickle Lake and Remote Connections separately. For example, if the contingency amount is split 50/50, allocate 50% to the Line to Pickle Lake project and 50% to Remote Connections project.

C-Staff-25

Ref: Exh C-8-1 pages 1 – 5

Exh C-8-1 page 1, Table 1 provides the total estimated cost of the Transmission Project, including a Contingency cost estimate of \$252,400k.

At Exh C-8-1 page 3, it states that “The estimated Transmission Project cost includes approximately \$250 million in contingency, or 20% of the current pre-contingency estimate.”

At Exh C-8-1 page 4, it states that “The contingency amount included in the cost estimate is expected to provide allowance for the following items [...]”

- a) In reference to each of the items listed on page 4 at Exh C-8-1, please describe the general basis of the contingency allowance estimate for the Transmission Project.
- b) If available, please provide an indication of the relative importance of each of the items listed on page 4 at Exh C-8-1 towards the estimated contingency cost.

- c) Please describe how the contingency cost estimate for the Transmission Project compares to contingency cost estimates developed for other projects with which the Applicants or their partners have been involved.
- d) How would the Applicants characterize the relative confidence of the cost estimate at Exh C-8-1 page 1, Table 1?

D-Staff-26

Ref: Exh D-1-1 pages 2 - 27

Ref: Exh D-1-1 Appendix 'A' pages 1 - 9

Ref: Exh C-8-1 pages 1 - 2

Ref: Exh C-3-1

Ref: Exh B-2-1 page 9

The application states that, "The Proposed Transmission Facilities include a total of 22 stations (6 switching stations and 16 transformer stations) and 35 distinct line 'segments'.

The application also states that, "With respect to its estimate of construction costs, WPLP developed cost estimates for each transmission line segment and each substation cost as the starting point. Transmission line cost per-kilometre estimates were developed [...]".

- a) Please provide a summary table with the following information for each of the 'segments': segment name, very brief description (e.g. purpose/function, key equipment), length (e.g. km), and original and current forecasted costs broken down by line cost, station cost, line + station cost, and line + station cost per unit of length (e.g. \$/km)
- b) Where the \$/km cost of any individual segment is notably higher than others, please explain.
- c) What is the projected cost of the Pikangikum System per km?
- d) Are the projected costs of the Pikangikum System per km indicative of the per km cost for the rest of the transmission project? If not, why not?
- e) Is construction of the Pikangikum System on schedule? Please explain.
- f) Based on the learnings from the Pikangikum System work to date, does WPLP believe that its schedule and costs for the Transmission Project are achievable?

D-Staff-27

Ref: Exh D-1-1 Appendix 'A' pages 1 - 9

Please describe how WPLP considered cost-effectiveness in the design and location of stations included in the project.

D-Staff-28

Ref: Exh D-1-2, Page 5

In discussing Hydro One assets that would be impacted by the proposed project, the application notes that changes would occur with respect to the classification of Hydro One's existing circuits and stations. In regard to existing Line Connection assets – 115 kV E4D, E1C and E2R – it notes they would be reclassified to “Network - Multi-function” assets. OEB staff is not aware of an asset definition called “Network - Multi-function” in the TSC.

Please describe what is meant by this label and what multi-functions will those assets perform?

D-Staff-29

Ref: Exh D-1-2 page 6

Ref: Exh B-1-1 page 11

In relation to Hydro One transmission investments needed to connect WPLP's project to the grid, the application notes that Hydro One and WPLP have entered into an agreement whereby WPLP will reimburse Hydro One for any costs that the OEB does not permit Hydro One to include in its rate base, if that were to occur. While Hydro One's investments are identified, the application does not provide any related cost estimates associated with those investments.

WPLP estimates that, without accounting for any federal government funding for the Transmission Project, the total bill impact to a typical residential customer in Ontario consuming 750 kWh per month would be \$0.75 per month.

- a) Please clarify that WPLP would not seek to recover any of costs from any Ontario ratepayers, including customers of HORCI through the proposed new rate, if there was any such payment made to Hydro One.
- b) Please identify the costs of the Hydro One investments that the application identifies are necessary to make WPLP's “transmission project” viable.
- c) What will be the impact on ratepayers of the reclassification of these assets? Please confirm whether these impacts are included in the ratepayer impact described by WPLP at Exh B-1-1 page 11.

E-Staff-30

Ref: Exh E-1-1 page 1

Ref: Exh B-2-1 page 16

Ref: Exh C-8-1

WPLP plans to operate a 24/7 control room, at a location to be determined, from which operators will remotely monitor the configuration and status of WPLP's transmission system.

- a) Is the cost of the control room included in the estimates Exh C-8-1? If yes, advise of the cost and where the cost resides in Table 1 of Exh C-8-1. If no, please explain why not.
- b) Has the location of the control room been determined? If not, why not?
- c) Did WPLP consider sharing services with or outsourcing activities to Hydro One or some other entity (e.g., control room, maintenance activities)? Please explain.

E-Staff-31

Ref. Exh B-1-1 page 9

Ref. Exh F-1-1 page 9

The application states that, in addition to lands that are subject to the Treaty, Aboriginal and Inherent rights of the Anishinabe and Anishinnuwug, the proposed Transmission Facilities will also be located on lands over which the Province of Ontario, through the Ministry of Natural Resources and Forestry and the Ministry of Transportation, asserts authority. A small proportion of the Proposed Transmission Facilities will be situated on First Nation Reserve lands and a relatively small number of privately owned parcels. WPLP has secured land rights over some of the privately owned parcels and is in discussions with provincial and federal authorities, as well as with the affected First Nations, regarding the lands that are required under legislation and by operation of provincial policy.

The application states that the proposed transmission line follows Nungessor Road for a significant distance, and portions of the transmission line corridor will extend into the Nungessor Road right-of-way over which MTO asserts authority. To secure the interests in lands over which MNRF asserts authority, the Applicant plans to obtain an MNRF Work Permit.

The application states that approximately 19 km of the Transmission Line corridor north of Red Lake will be situated on First Nation reserve lands. To secure these interests, which are situated on 5 different First Nation reserves, WPLP will secure construction rights and ongoing land rights by obtaining permits from INAC pursuant to s. 28(2) of the *Indian Act*.

- a) Please provide an update on the status of land use negotiations with private land owners, provincial and federal authorities, and affected First Nations.
- b) Please provide an update on the status of the permits from INAC pursuant to s. 28(2) of the *Indian Act*.
- c) Beyond the 22 First Nations that are partners in WPLP, are there any other First Nations impacted by the proposed Transmission Facilities? Please explain.
- d) Does WPLP anticipate eventually expanding the Transmission Facilities to connect those First Nations who are partners in WPLP but won't be connected to the Transmission Facilities as described in the application?

F-Staff-32

Ref. Exh F-1-1 page 5

Regarding the Line to Pickle Lake, in its original application (filed June 8, 2018) as well as its amended application (filed October 5, 2018), WPLP indicated that stakeholders have expressed a preference for certain existing access roads (established by resource industry participants) to be decommissioned and returned to a natural state. Therefore, certain roads would not be available for use by the Applicant. WPLP says it is in the process of working with these stakeholders to revise its approach to access roads for the Line to Pickle Lake.

Please provide an update on WPLP's work with stakeholders to revise its approach to access roads for the Line to Pickle Lake.

F-Staff-33

Ref. Exh F-3-1 page 1

In developing its forms of land use agreement, WPLP states that, "[...] the Applicant has ensured that, where applicable, it has addressed the essential easement considerations set out in Appendix 'A' of the Board's Filing Requirements.

Please describe in general terms any situations where WPLP had an option to address essential easement considerations set out in Appendix 'A' and chose not to.

G-Staff-34

Ref: Exh G-2-2 page 5

Ref: Exh G-3-2 page 5

The application states that, "[...] Wataynikaneyap Power L.P. (the "connection applicant") is proposing to develop a new 230 kV transmission line from Dinorwic (located between Ignace and Dryden) to Pickle Lake along with 115 kV transmission lines extending north from Pickle Lake to connect ten remote First Nations communities

(the "remote communities"). The projected total peak load for these communities will be approximately 14 MW in 2030.”

The application also states that, “[...] Wataynikaneyap Power L.P. (the "connection applicant") is proposing to develop new 115 kV transmission lines extending north from Red Lake to connect six First Nations remote communities (the "remote communities"). The projected total peak load for these communities will be approximately 16 MW in 2033.”

- a) Please confirm that these estimates of “total peak load” are still indicative of the load projections for the 10 communities north of Pickle Lake and the 16 communities north of Red Lake. If not still indicative, please provide a more indicative estimate.
- b) Please confirm whether these projections refer to the sum of local peaks or whether they refer to a coincident peak. If coincident, please indicate whether the peaks referenced are coincident to the Ontario system peak, northwest Ontario system peak, or something else. If non-coincident, please also provide the coincident projection if available.
- c) If available, please provide the projected “total peak load” of the 10 communities north of Pickle Lake and the 16 communities north of Red Lake at the same year (i.e. both at 2030 or at 2033 – currently, one group is cited at 2030, the other is cited at 2033).
- d) Please provide projections for the total annual electricity demand (i.e. MWh or GWh) of the 10 communities north of Pickle Lake and the 16 communities north of Red Lake, cited at the same year as in response to question (c) above.
- e) Please provide an estimate (or range of estimates if more applicable), in MW, of the total load meeting capability of the proposed lines extending north from Pickle Lake and Red Lake (i.e. how much load could they serve?).

H-Staff-35

Ref: Exh H-2-1 page 17

“The proposed facilities will not only increase the supply capacity at Pickle Lake, they will also increase the capacity at Ear Falls and Red Lake by eliminating the need to supply Pickle Lake from Ear Falls.”

- a) Please provide an estimate of how much capacity will be increased at Ear Falls and Red Lake as a result of the proposed Line to Pickle Lake.
- b) How does size of this increased capacity compare to the size of the load that would be served by the Red Lake Remote Connection Lines?

- c) Please describe whether and how increased capacity at Ear Falls and Red Lake would benefit existing customers.

H-Staff-36

Ref: Exh H-2-1

Ref: Exh H-3-1

Ref: Exh B-1-1, pages 9 – 10

Ref: Exh KP1 page 17

The application states that, “The Applicant received the final Pickle Lake CIA and the final Red Lake CIA from Hydro One on July 9, 2018, and filed copies of these reports with the Board on July 16, 2018. The conclusions in the final CIA reports are unchanged from those in the draft CIA reports.”

The application also states that, “IESO and HONI have confirmed no changes needed due to minor routing amendments filed October 5.”

- a) Please confirm that the final CIA reports from Hydro One (dated July 09, 2018) confirm that no changes are needed due to the minor routing amendments filed by WPLP on October 05, 2018.
- b) Please provide reference to where IESO confirms that no changes are needed due to the minor routing amendments filed by WPLP on October 5.

I-Staff-37

Ref: Exh I-1-1 pages 1-10

Ref: Exh KP1

WPLP acknowledges that before it may commence construction of the proposed Transmission Facilities, it will require not only leave to construct from the OEB, but also completion of or approval from the relevant authorities in respect of its environmental assessment obligations.

- a) What is the current status of WPLP’s Provincial and Federal EA approvals? Please thoroughly explain.
- b) What requirements (approvals, permits, etc.) does WPLP need to satisfy before it can start the construction of the line? When does WPLP anticipate receiving these approvals?
- c) What other entities (other than WPLP) have the potential to impact WPLP’s EA processes? What is the current status of coordination and cooperation between WPLP and the other entities involved?

- d) What requirements (approvals, permits, etc.) does WPLP or any other entity involved in WPLP's project need to satisfy before construction of facilities other than the line (e.g., station facilities) can be commenced?
- e) Has WPLP received any feedback from the Ministry of the Environment, Conservation and Parks (MECP) on WPLP's EA-related activities? If yes, please explain. If not, why not?
- f) When does WPLP anticipate to meet all its obligations under the EA Act and receive EA approval from the MECP?
- g) What are the risks involved in WPLP's EA approval processes? Please explain how WPLP intends to mitigate these risks.
- h) At the Presentation Day, OEB staff understood from WPLP that someone had requested that the Minister of Environment, Conservation and Parks refer the EA for the line to Pickle Lake to the Environmental Review Tribunal. Please elaborate on this matter, and explain whether WPLP anticipates it will have a material impact on the line to Pickle Lake project schedule and/or costs.

I-Staff-38

Ref: Exh I-1-1 page 1

WPLP acknowledges that there are currently some differences between the routing and locations for transmission facilities proposed in its application and those under consideration in the Environmental Assessment (EA) process, but those differences are relatively minor and will be brought into alignment.

- a) Generally, how does WPLP intend to bring the differences into alignment.
- b) Are there any material costs associated with the differences identified in part (a)? If yes, please explain what and who bears them; if not, why not?
- c) Is the alignment of these differences expected to have a material impact on the timing of the EA approval?

I-Staff-39

Ref: Exh I-2-1 page 1

WPLP says it has implemented a comprehensive consultation and engagement program in relation to the Line to Pickle Lake and the Remote Connection Lines. These efforts are ongoing.

- a) Please describe the source and nature of any comments or concerns to date from Indigenous communities and other stakeholders who are not in favour of the Transmission Project.

- b) What has WPLP done and/or what is it doing to address these comments or concerns?

J-Staff-40

Ref. Exh B-2-1 page 20

Ref. Exh I-3-1 Appendix A

The application states that the Crown has delegated to WPLP the procedural aspects of its legal duty to consult with First Nations and Métis communities for the Transmission Project.⁵

Please provide a status update on consultations with First Nations and Métis communities for the Transmission Project. Are any material impacts to the project schedule or costs anticipated as a result of these consultations?

J-Staff-41

Ref: Exh J-1-1 page 2

Ref: Exh J-3-1 Table 1

Ref: Exh B-1-1 page 11

WPLP has entered into a Memorandum of Understanding with Canada and the Province of Ontario, which will provide funding of \$1.56B conditional on appropriation of the funding by Parliament and the finalization of definitive documents.

- a) What is the forecast timeline with respect to appropriation of the funding?
- b) What is the forecast timeline with respect to finalization of definitive documents?
- c) Will the Memorandum of Understanding and definitive documents be made public when finalized?
- d) The estimated transmission project cost is \$1.65B as set out in Table 1 of Exh J-3-1. Why does funding differ from the project cost?

J-Staff-42

Ref: Exh J-3-1 page 1

Ref: Exh B-1-1 page 10

The application only appears to discuss the Federal Government capital contribution within the context of the Remote Connection project. The Federal Government has committed to provide \$1.56B. The total cost of the Transmission Project, including the Line to Pickle Lake, is quite close to that amount at \$1.65B. The cost associated with the Remote Connection project is much lower at \$1.26B.

⁵ The "Transmission Project" is defined in Exh. B-1-1 on page 2 as the transmission facilities extending north of Pickle Lake and north of Red Lake, collectively.

- a) Please clarify if part of the Federal Government capital contribution is being provided for the Line to Pickle Lake project.
- b) If so, please explain why the application is also proposing to recover the project cost from all ratepayers through the uniform transmission rates (UTR) network charges.
- c) If not, please explain how the Federal funding commitment is limited to the Remote Connection project, with the Federal Government commitment representing almost 95% of the total "Transmission Project" cost.

J-Staff-43

Ref: Exh J-1-1 pages 8-9

Ref: Exh B-1-1 page 8

Ref: EB-2015-0264, EB-2017-0236

The application states that WPLP requires approval of the cost recovery framework because it is critical to the success of the Transmission Project and the financial viability of WPLP.

The application states that, without clarity as to the mechanism by which WPLP will recover its costs, WPLP will not be able to arrange future financing to enable it to construct the Transmission Project. Lenders must understand the economic basis on which principal and interest will be paid before advancing funds.

- a) How has WPLP financed the project to date?
- b) Has the financing to date been provided by government and/or non-government (i.e., commercial) sources? Please provide details in the response.
- c) Will the future financing be provided by government and/or non-government sources? Please provide details in the response. If applicable, include the proportions of government and non-government financing expected, based on WPLP's best current estimates.
- d) In WPLP's view, when is the OEB's decision on the cost recovery framework required?
- e) What is the significance of the date provided in (d)?
- f) The WPLP transmission licence application was underpinned by audited financial statements from FortisOntario Inc. and Wataynikaneyap Power Corporation. The WPLP distribution licence was underpinned by audited financial statements from Fortis Inc., FortisOntario Inc. and Wataynikaneyap Power Corporation. Are the concerns with respect to arranging future financing the concerns of WPLP and/or First Nation LP and/or Fortis (WP) LP? Please explain the response.

J-Staff-44

Ref: Exh J-1-1 pages 4-5 and 11-12

Ref: O. Reg. 442/01 *Rural or Remote Electricity Rate Protection*

Ref: ED-2003-0037

In the application, WPLP proposes that the line to Pickle Lake would be funded through the network charge under the UTR.

The RRRP regulation was amended on July 29, 2016 to establish RRRP funding as a basis to fund the WPLP transmission project. The amendment provides that, "Hydro One Remote Communities Inc.'s forecasted revenue requirement shall include, in addition to such other amounts as approved by the Board, any amounts approved by the Board relating to the following: 1. A new transmission system that originates between Dryden and Ignace and terminates at Pickle Lake."

- a) Please explain WPLP's proposal for cost recovery related to the line to Pickle Lake with respect to the provisions in section 4(2.1) of O. Reg. 442/01.
- b) Please confirm that, in accordance with the Hydro One Remotes licence and O. Reg. 442/01, only nine of the 16 remote communities affected by the WPLP transmission project are currently considered in the licence and regulation.

J-Staff-45

Ref: Exh J-1-1 page 13

Ref: Exh B-2-1 page 21

Ref: EB-2016-0231, Exh 1-1-2

WPLP has described its proposed cost recovery as "unique". The "revenue requirement impact arising from the capital costs and OM&A expense (direct and indirect) for the Remote Connection Lines would be charged through a transmission rate applicable to service provided from the Remote Connection Lines". The application states that "This alternative rate framework will enable WPLP to receive sufficient revenue to operate the system in a financially viable, safe, reliable and sustainable manner without causing adverse implications for ratepayers as compared to the existing framework under the TSC and uniform transmission rates."

Five Nations Energy Inc. (FNEI) is a non-profit corporation that is licensed by the OEB to own and operate transmission facilities along the western coast of James Bay. FNEI's transmission line serves the three First Nation communities of Attawapiskat, Fort Albany and Kashechewan, and the DeBeers Victor Diamond Mine. The bulk of the initial funding for the FNEI transmission line came via a multi-year funding agreement from INAC. The funding was disbursed directly to FNEI. This amount was treated akin to an

aid-to-construct, and was excluded from FNEI's rate base. FNEI's OEB approved revenue requirement is recovered through the Uniform Transmission Rates.

Please describe the advantages of the cost recovery proposed by WPLP in comparison with the cost recovery in place for FNEI.

J-Staff-46

Ref: Exh J-1-2 pages 1-2

Ref: Exh KP1

Subject to appropriation, Canada will fund the Transmission Project in part as a capital contribution paid to WPLP, and with the remainder placed in an independent trust (the "Trust") which will provide a ratepayer subsidy payment over time to offset transmission rates charged by WPLP.

The extent of funds available and released to WPLP and the Trust will be determined in accordance with amounts set out in the Funding MOU. Under the Funding MOU, the equity contribution by WPLP and the Canada funding to WPLP in the form of a capital contribution is computed.

- a) At slide 36 of Exh KP1, it states that "Per the Funding MOU, a capital cost of \$1,610M assumes \$620M of equity from the owners of WPLP." Does the MOU provide a supporting rationale for \$620M of equity and \$1,550M of implied rate base?
- b) Does the Funding MOU provide for incentives to WPLP to reduce capital costs?
- c) In the absence of any funding from Canada, are there incentives to WPLP to reduce capital costs?

J-Staff-47

Ref: Exh J-1-1 page 9-10

Ref: Exh J-1-2 page 2

The reason provided for the exemption from the TSC cost responsibility rules and principles is almost all of the cost associated with the investment would go into HORCI's rate base due to the capital contribution under the existing rules. According to the application, the amount that the Federal Government has committed to provide would be provided as a capital contribution to WPLP. The application does not discuss how that Federal Government capital contribution would affect WPLP's rate base under the proposed alternative funding framework.

Please clarify if and how WPLP's rate base would be impacted under the proposed alternative funding framework. For example, would it be reduced by an amount that is equivalent to the Federal Government capital contribution? If not, please explain why.

J-Staff-48

Ref: Exh J-1-2

Ref: Exh KP1

The Trust will be formed in accordance with the Trust Agreement between Canada, Ontario and the Trustee establishing the Trust for the beneficiaries. The terms and conditions of the Trust Agreement shall provide that the benefit to the beneficiaries of the Trust shall be by way of payment of funds to such third party as the parties shall agree in the definitive documentation currently being negotiated.

- a) Who will operate the independent trust and to whom does the independent trust report?
- b) Is the definitive documentation complete? If not, when is it expected to be complete?
- c) Who is the third party that will be recipient of funds from the Trust?
- d) As noted at slide 37 of Exh KP1, the pace at which the funds are used to offset RRRP increases is wholly within the discretion of the Trustee. Does the Trust Agreement set out the criteria and timeframes for use of the funds in the Trust?
- e) At slide 38 of Exh KP1, it is estimated that the Trust would offset RRRP to account for the full impact of the revenue requirement for the remote connection lines for approximately 13 years. Does the 13 year estimate reflect the connection of communities on a staggered basis? If not, please provide the estimate.

J-Staff-49

Ref: Exh J-1-2

Ref: Exh J-1-1 page 12

The application states that the proposed "rate framework is also consistent with government funding arrangements, which contemplate that the transmission rate paid by Hydro One Remotes and otherwise recoverable through RRRP funding, will in turn be offset by way of a series of payments from an independent trust (the 'Trust') to an entity independent of Watay. This consistency between the funding regime and the rate framework is critical to sustaining government funding since a large part of the funding is premised on an offset to incremental RRRP funding, which ultimately only manifests itself through an expense forming part of the revenue requirement of Hydro One Remotes. Without the mechanism, costs would have to be recovered from ratepayers by some means. However, that means costs may not fall within the funding arrangements and the burden would be fully borne by ratepayers."

- a) Assuming full project completion as described in the application, and assuming no federal government funding, what is the estimated transmission rate that will be charged to HORCI?
- b) Assuming full project completion as described in the application and assuming federal government funding is appropriated for project completion, what is the estimated transmission rate that will be charged to HORCI?

J-Staff-50

Ref: Exh J-1-1 page 7-10

Ref: Exh J-1-2 page 2

Please clarify why WPLP would charge HORCI a rate to recover the capital (as well as operating) costs when the Federal Government has committed to cover the capital cost of the Remote Connection Line project.

J-Staff-51

Ref: Exh C-8-1 page 9

Ref: Exh J-1-1 page 7-10

Ref: Exh J-1-2 page 2

Ref: Exh J-1-3 page 3

The application notes that there is a need for an exemption from the TSC in relation to certain cost responsibility rules and principles. In the normal course, a capital contribution would be paid by HORCI to WPLP. However, WPLP states that, due to the level of demand, WPLP would have no representative amount in its rate base which would adversely affect the financial viability of the project.

The proposed alternative funding framework involves no capital contribution from HORCI. Instead, the full amount would remain in WPLP's rate base. It also contemplates WPLP charging HORCI a new rate to recover the capital and operating costs which is expected to amount to about \$104 million per year over the first 10 years (2024-2033). The application also notes a portion of the amount that the Federal government has committed to provide would be received by WPLP (as well as "the Trust" to offset RRRP). The expected service life is referred to but the application does not indicate what it is. Based on the alternative funding framework, please provide estimates in relation to the following:

- a) The expected service life (ESL) of the Remote Connection Lines
- b) The expected return on rate base over the ESL

- c) The expected amount to be recovered through the proposed rate charged to HORCI over the ESL
- d) The amount WPLP expects to receive from the Federal Government that would be retained by WPLP

J-Staff-52

Ref: Exh J-1-1 page 9-10

Ref: Notice of Revised Proposal to Amend a Code⁶ (page 16-17), EB-2016-0003

The proposed alternative funding framework would involve no capital contribution from HORCI. WPLP would, instead, charge HORCI a rate to cover the capital and operating costs. As a result, HORCI would not include any amount in its rate base due to the TSC exemption.

The OEB is currently holding a consultation process involving proposed amendments to its TSC cost responsibility rules. One of the proposed changes has received broad stakeholder support. That proposed TSC amendment would allow for payment of the capital contribution by a distributor to a transmitter in installments over a period of five years (or a longer period than five years upon OEB approval of a request by a distributor). Under the OEB's proposal, an amount would remain in the transmitter's rate base and would gradually decline with each installment payment from the distributor, as the corresponding amount increases in the distributor's rate base (e.g., 80/20, 60/40). Since the transmitter would receive the capital contribution over time rather than a single upfront payment, the OEB proposal also involves the distributor compensating the transmitter for the carrying costs based on the OEB's prescribed construction work in progress (CWIP) rate.

Assuming that the proposed TSC amendment is approved and the OEB approved capital contribution installments over the expected service life (ESL) of the Remote Connection project, please respond to the following:

- a) What would the estimated amount of each annual capital contribution installment be from HORCI (based on the ESL and estimated fully allocated cost associated with the Remote Connection line project)?
- b) Does WPLP believe the project would be financially viable under this approach? If not, please explain why.
- c) Are there any implications that would need to be considered under such an approach?

⁶ [Revised Notice of Proposal, Ontario Energy Board, August 23, 2018.](#)

- d) If this installment approach is adopted by the OEB in the TSC and was determined to be a viable option, would it obviate the need for an exemption from the TSC cost responsibility rules and/or make the proposed new rate that would be charged to HORCI unnecessary?

J-Staff-53

Ref: Exh J-1-1 page 4

The application proposes that the Line to Pickle Lake be treated fully (i.e., 100%) as a network facility. The justification for that focuses on the *extended meaning* of network facility set out in section 3.0.14 of the TSC. Section 2.0.45 of the TSC sets out the *definition* of network facility which states the facility must be “shared by all users” of a transmission system and “has the extended meaning given to it in section 3.0.14”. OEB staff was unable to find an explanation related to the Line to Pickle Lake meeting that definition in section 2.0.45. Please explain how the Line to Pickle Lake meets the definition of network facility in section 2.0.45.

J-Staff-54

Ref: Exh B-2-1 page 4

Ref: Exh J-1-1 page 4

Ref: OEB Revised Notice of Proposal (page 4-6), EB-2016-0003

Ref: EB-2013-0421

The application explains how the Line to Pickle Lake would benefit a specific subset of consumers supplied by a single line in Ontario (E1C) in terms of reliability and power quality in a manner that no other consumers will benefit from the project. The application specifically notes “All existing customers in the North of Dryden sub-region [...] are further disadvantaged by the historically poor reliability performance of circuit E1C ... reliability of supply to customers in this area has been worse than the average for other customers in northwestern Ontario [...] The Line to Pickle Lake is expected to significantly reduce the frequency and duration of planned and unplanned outages and improve power quality [...] and greatly increase load meeting capability in the region.” The Line to Pickle Lake will also connect the Remote Communities and the Ring of Fire to Ontario’s existing transmission system. At the same time, the application identifies the Line to Pickle Lake has certain network attributes.

- a) If the Line to Pickle Lake does perform both network and connection functions, would it be more appropriate to define it as a Dual Function Line?
- b) In Hydro One’s leave to construct (LTC) application related to the Supply to Essex County Transmission Reinforcement (SECTR) project, the IESO provided supporting evidence that advocated for the allocation of some costs to the *network* pool related to a transmission *connection* line even though the primary reason for the line was to

meet the needs of specific existing and new customers that are (or will be) connected to it. For a connection asset, all of the costs must be recovered from specific customers under the existing TSC. The rationale the IESO provided for supporting an allocation to the network pool was that the line also provided a reliability benefit to the network. The OEB subsequently proposed an amendment to the TSC to recognize certain lines can benefit both specific consumers and the broader network in a manner that is consistent with the methodology proposed by the IESO.

If the Line to Pickle Lake is approved as a network facility, would it be appropriate to allocate some costs to the customers in the sub-region that will receive the incremental reliability and power quality benefits described in the application?

J-Staff-55

Ref: Exh J-2-1

Ref: Exh B-1-1 page 8

Ref: EB-2016-0262

The Applicant requests approval for an accounting order establishing a Construction Work in Progress Deferral Account into which WPLP would transfer costs that are recorded in its existing development costs deferral account.

- a) Please confirm that the carrying charge for the net amounts in the current Wataynikaneyap Transmission Development Deferral Account is the OEB approved prescribed interest rate (per the bankers' acceptance rate (3 months) plus a spread of 0.25 percentage points). In the alternative, please explain the response.
- b) Please confirm whether WPLP proposes a transfer of the costs in the Wataynikaneyap Transmission Development Deferral Account to the proposed Construction Work in Progress Deferral Account, and whether carrying charge for net development costs would be the OEB approved prescribed interest rate (per the FTSE TMX Canada (formerly DEX) Mid Term Bond Index All Corporate yield).
- c) Please confirm whether WPLP proposes to continue to follow the EB-2016-0262 OEB orders with respect to development costs, including the filing of reports, after the costs in the Wataynikaneyap Transmission Development Deferral Account are transferred.
- d) Please confirm whether WPLP is requesting that the Wataynikaneyap Transmission Development Deferral Account be discontinued.

J-Staff-56

Ref: Exh J-2-1

Ref: Exh B-1-1 page 8

Ref. Exh B-2-1 page 20

The application states that, “On March 23, 2017, the Board in its Decision and Order in EB-2016-0262 approved WPLP’s request to establish a deferral account with appropriate sub-accounts to capture and record development costs associated the Transmission Project up to the effective date of the initial transmission rate order for WPLP. WPLP has filed semi-annual progress reports on July 17, 2017 and January 15, 2018 as required by the Board.”

The Applicant requests approval for an accounting order establishing a Construction Work in Progress Deferral Account into which WPLP would transfer costs that are recorded in its existing development costs deferral account and record capital costs from and after the date of the order granting leave to construct.

- a) How does WPLP currently record the capital costs related to construction of the line to Pikangikum?
- b) Other than development costs and construction costs, are there any other costs that WPLP plans to record in the proposed account?
- c) Please refer to page 67 of the [Filing Requirements for Electricity Distribution Rate Applications](#) regarding the establishment of new deferral and variance accounts. Please address the causation, prudence and materiality criteria for the proposed account.
- d) What is WPLP’s plan in the event the OEB does not approve the establishment of the CWIP deferral account in this proceeding?
- e) Regarding the development cost deferral account, does WPLP intend to continue filing semi-annual progress reports with the OEB. Please explain.

J-Staff-57

Ref: Exh J-2-1 page 2 and 7

WPLP has provided a draft accounting order related to the CWIP account request.

- a) At page 2 it states that sub-account 2055.002 will record “All funding directly received by WPLP for construction activities related to the Project.” What is directly received funding? Will WPLP “indirectly” receive any other funding for construction activities? If yes, please specify.
- b) Will the sub-accounts separately record costs and funding for individual sections of the project, e.g. Pikangikum, Pickle Lake, remote connection lines? If yes, please provide details. If no, please explain why.

- c) Please confirm that the statement on page 2 of Exh J-2-1 that sub-account 2055-03 will record the “Carrying Charges on Net Construction Costs” means that carrying charges would be based on the net principal amount of construction costs recorded in sub-account 2055-01 less the principal of all funding recorded in subaccount 2055-02. In other words, please confirm that funding received, directly or indirectly, is to be treated as a capital contribution.

J-Staff-58

Ref: Exh J-3-1 pages 2 – 4

At Exh J-3-1 page 2, it states that “WPLP has proposed an alternative rate framework applicable to the transmission service provided by the Remote Connection Lines [...]”

- a) For clarity, do the estimated rate and bill impacts presented at Exh J-3-1 pages 2 – 4 reflect the effects of:
- (i) proceeding with Remote Connection Lines versus not proceeding, or
 - (ii) recovering costs of Remote Connection Lines through the proposed “alternative rate framework” versus the existing framework?
- (i.e. please clarify which base case and scenario cases are being compared?)
- b) If the rate and bill impacts presented at Exh J-3-1 pages 2 – 4 most closely reflect the effects of option (i) above, please also provide estimated rate and bill impacts that are the result of recovering the costs of the Remote Connection Lines through WPLP’s proposed “alternative rate framework” versus the existing, ‘status quo’ framework (i.e., a capital contribution from HORCI).
- c) In reference to the response to part (b) above, if there are differences in bill and rates impacts between the two frameworks compared, please briefly explain key drivers of the differences.
- (i.e. what is the cost of the proposed framework compared to the existing framework?)

J-Staff-59

Ref: Exh J-3-1

Ref: Exh B-2-1 page 22 and 23

The application states that “because the funding to be provided by Canada is conditional on appropriation by Parliament, as well as finalization of the definitive documents, the approvals sought in this application should be considered by the Board in a manner inclusive of a scenario where Canada fails to appropriate funds for the Transmission Project. The proposed cost recovery and rate framework has been

designed to work regardless of whether the funding contemplated by the Funding MOU is ultimately received.”

The bill impacts presented in application do not account for the federal funding contributions.

The application states that the average annual revenue requirement associated with the Line to Pickle Lake is estimated at approximately \$32 million over the first 10 years in service (i.e. 2024-2033). Using 2018 approved rates as a baseline, the network pool rate would increase from \$3.61 to \$3.73.

- a) Please provide the details of the determination of \$32 million revenue requirement (OM&A, depreciation, taxes, other expenses, return and rate base).
- b) Please provide the network pool rate and revenue requirement for the line to Pickle Lake, assuming federal government funding is only appropriated for substantial completion. Include details regarding any assumed capital contribution, rate base and depreciation that factor into the calculations of the revenue requirement and the network pool rate.
- c) Please provide the network pool rate and revenue requirement for the line to Pickle Lake assuming federal government funding is appropriated for completion. Include details regarding any assumed capital contribution, rate base and depreciation, as also requested in b) above.

J-Staff-60

Ref: Exh J-3-1

Ref: Exh B-2-1 page 22 and 23

The application states that the average annual revenue requirement associated with the Remote Connection Lines is estimated at approximately \$104 million over the first 10 years in service (i.e. 2024-2033). Using 2018 approved rates as a baseline, the RRRP rate would increase from \$0.0003/kWh to \$0.0010/kWh.

- a) Please provide the details of the determination of \$104 million revenue requirement, (OM&A, depreciation, taxes, other expenses, return and rate base). Please provide the RRRP rate and revenue requirement for the Remote Connection Lines assuming federal government funding is only appropriated for substantial completion. Include details regarding assumed capital contribution, rate base and depreciation, and additions to the Trust.
- b) Please provide the RRRP rate and revenue requirement for the Remote Connection Lines assuming federal government funding is appropriated for completion. Include

details regarding assumed capital contribution, rate base and depreciation, and additions to the Trust.

- c) With respect to the scenario as presented in the application, i.e., no federal government funding, please provide an estimate of the full RRRP rate increase that also factors in the increase in HORCI revenue requirement related infrastructure for the connection of the remote communities.

J-Staff-61

Ref: Exh J-1-1 page 13

The application states that “Given the unique nature of this Transmission Project, the typical cost recovery regime in the TSC does not fully apply. The licence amendments and rate framework for which WPLP seeks approval would provide for a cost recovery basis that takes into account the uniqueness of the Transmission Project, maintains the Transmission Project’s financial viability, avoids cross subsidization, is neutral in its treatment of RRRP funding for Hydro One Remotes, and is consistent with government funding commitments.”

In terms of cross-subsidization and neutrality, is there any circumstance under WPLP’s cost recovery proposal where funding provided by the Government of Canada is again provided by the ratepayers of Ontario?