

January 21, 2019

The Honourable Greg Rickford
Minister of Energy, Northern Development and Mines
Minister of Indigenous Affairs
5th Floor, Whitney Block
99 Wellesley Street West
Toronto, Ontario
M7A 1W3

Dear Minister Rickford,

This letter follows our January 8, 2019 correspondence in which NextBridge Infrastructure, LP (“NextBridge”) outlined our concerns pertaining to the Ontario Energy Board’s (“OEB”) December 20, 2018 Decision and Order regarding the East-West Tie transmission line project (“East-West Tie Line”).

As the Minister is aware, NextBridge’s First Nations partners recently hosted a press conference at Queen’s Park to call on the Ontario government to intervene and “fix a broken process” created by the OEB and the previous Ontario government that ignores First Nations’ rights and the need for northern development.

NextBridge enthusiastically supports the actions and position of our First Nations partners to oppose the errors embedded in the OEB’s actions. NextBridge agrees with the concerns these leaders and their communities expressed regarding Hydro One’s proposal. They assert that Hydro One has not carried out the constitutionally-required Duty to Consult and Accommodate and that Hydro One’s project would be completed much later than the NextBridge-BLP one, causing delays and corresponding losses in economic development and risks to electrical reliability.

Throughout the more than five-year process, NextBridge has shown it is best-positioned to deliver economic benefits to Indigenous communities through \$200 million in contracting opportunities, a 20% equity share in the East-West Tie Line, and over 300 jobs for local First Nation and Métis individuals. The Ontario government has provided approximately \$5 million to train these Indigenous community members, along with many other northern Ontario citizens, who are ready to work today. This funding will have been wasted if the East-West Tie Line is further delayed as those individuals trained will have no choice but to find other work, potentially outside of Ontario. Based on their concerns with the OEB’s process and further delay of the East-West Tie Line, the BLP First Nations filed an appeal with the Ontario Divisional Court to set aside the OEB’s December 20, 2018 decision, and the BLP First Nations have also indicated they will pursue that appeal if Hydro One is awarded a Leave to Construct by the OEB.

Further, the First Nations have also expressed concern for Hydro One's route through Pukaskwa National Park. This Park is subject to Aboriginal title claims from their communities and they object to Hydro One using the area for this project. Other parties have publically objected to this routing, namely Wildlands League, due to the potential damage to the ecological integrity of the park. For these reasons, among others, Hydro One's prospects for traversing Pukaskwa Park are very much in doubt.

Also, NextBridge has repeatedly stated that it will not allow Hydro One to use its Environmental Assessment and its associated work product. First, these are two separate project proposals with different routing, specifications, and potential environmental impacts. As well, there is no legislative authority for the Ministry of Environment, Conservation and Parks to allow a third party to use NextBridge's Environmental Assessment and work product, which includes all the underlying information and data NextBridge has collected over the past 5 years. Yet, the OEB is tying full recovery of NextBridge's costs to handing over its Environmental Assessment and work product to its competitor, Hydro One.

On January 18, 2019, NextBridge also filed an appeal to the Ontario Divisional Court of the OEB's December 20, 2018 decision. NextBridge views the Decision as improperly restricting and denying the recovery of costs prudently incurred by NextBridge in developing the East-West Tie Line by (i) imposing a condition on the recovery of these costs that purports to require NextBridge to transfer proprietary and commercially valuable information in NextBridge's Environmental Assessment to Hydro One and (ii) disallowing the recovery of other development costs in an arbitrary and legally unreasonable manner. The quantum of development costs that NextBridge is appealing and seeking the Court to order the recovery of is approximately \$10 million, including future carrying costs.

As of the end of 2018, NextBridge has expended \$78 million on the East-West Tie Line. To date, the OEB has confirmed recovery of \$31 million, which, thus, are costs that have already been incurred by ratepayers. NextBridge will also seek to recover from ratepayers the other \$46 million it has spent, comprising \$36 million in construction-related costs, and the \$10 million (including future carrying costs) of denied development costs which NextBridge has appealed. This \$78 million should appropriately be added to any consideration of Hydro One's project costs since it reflects real costs that will ultimately be borne by the ratepayers of Ontario.

NextBridge, along with its Indigenous partners, are urging the province to issue an Order-in-Council to designate NextBridge as the licensed transmitter to undertake the construction of the East West Tie Line. NextBridge appreciates that the Ontario government has a priority in protecting electricity customers by driving down costs in the system. NextBridge supports these objectives. Therefore, if provided the requested Order-in-Council awarding NextBridge the right to construct the East-West Tie Line, NextBridge will withdraw its January 18, 2019 appeal. This action would contribute to NextBridge's application having the lowest cost estimate, in addition to being the most certain and only realistic option to sustain reliability in northwestern Ontario in a timely manner.

Based on the above, and materials presented in the OEB proceedings, NextBridge summarizes the costs that have been presented by both parties as follows:

Comparison of Net Project Cost

| <i>(\$ in millions)</i> | NextBridge | Hydro One |
|-------------------------|--------------------|------------------|
| Development Costs | \$ 40.21 (1) | \$ 17.00 (4) |
| Construction Costs | 736.97 (2) | 683.00 (5) |
| Additional Costs | - | 75.56 (6) |
| Foregone Costs | <u>(10.00) (3)</u> | <u>-</u> |
| Net Project Cost | \$ 767.18 | \$ 775.56 |

Notes

- (1) NextBridge to date has been granted recovery by the OEB of \$31.24 million
- (2) NextBridge construction estimate, +/- 10%
- (3) NextBridge to waive its appeal of disallowed costs, plus future carrying costs, if granted Leave to Construct
- (4) Hydro One to seek recovery of these costs only if awarded Leave to Construct
- (5) Hydro One conditional "not to exceed" price submitted November 2018
- (6) Hydro One incremental costs for:
 - (a) Failure to receive Environmental Assessment (EA) by August 2019 (\$14.76 million)
 - (b) Cost to perform their own EA in lieu of reliance upon NextBridge EA (\$20 million)
 - (c) Cost for Hydro One to go around Pukaskwa National Park (\$40.8 million)
 - (d) System costs related to delayed in service date are not included
 - (e) Does not include expenses incurred to date, for which NextBridge will seek recovery from ratepayers

NextBridge, its investor companies and its Indigenous partners appreciate your interest and attention in this important and urgent matter and eagerly anticipate your response to this proposal.

Regards,



Jennifer Tidmarsh - Project Director, NextBridge Infrastructure, LP

Appendix

Benefits of the NextBridge Proposal

| | NextBridge | Hydro One |
|--------------------------------|--|--|
| Percentage Engineered | 90% | 20% |
| EA Status | Complete Ministerial decision imminent | Just started |
| Requires NextBridge EA | N/A | Yes |
| Traverses National Park | No | Yes |
| Indigenous Partners | Yes | No |
| Community Support | Yes | No |
| General Contractor | Competitively Bid | Sole Sourced |
| Route Certainty | Yes | No Have not received approval from Parks Canada or negotiated with First Nations to cross 2 reserves |
| Expected Net Cost | \$767.18 million | \$775.56 million |
| Cost Certainty | High | Low |
| Expected In-Service | 2020 | 2022 |
| Schedule Certainty | High Shovel-ready, could make 2020 | Low Risky proposal, may not make 2022 |