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**BY EMAIL AND WEB POSTING**

October 10, 2019

Ms. Jennifer Tidmarsh  
Project Director  
NextBridge Infrastructure, LP  
290 Bay Street, Suite 1720  
Toronto ON M5H 2Y2  
[Jennifer.Tidmarsh@nexteraenergy.com](mailto:Jennifer.Tidmarsh@nexteraenergy.com)

Dear Ms. Tidmarsh:

**Re: NextBridge Infrastructure, LP  
Quarterly Report on the East-West Tie Project  
Board File No.: EB-2017-0182**

The Ontario Energy Board (OEB) is in receipt of the first quarterly report on the progress of the East-West Tie Project (First Progress Report) filed by Upper Canada Transmission Inc., operating as NextBridge Infrastructure, LP (NextBridge), under the reporting requirements set out in sections 14.1 and 13.3 of its transmission licence<sup>1</sup> and the OEB's letter of July 29, 2019. As required, the First Progress Report covers the period February 11, 2019 to June 30, 2019 and was filed on August 30, 2019.

As you are aware, the reporting requirements were imposed further to a directive from the Minister of Energy, Northern Development and Mines, with the expectation that the OEB will maintain its role in assessing the prudence of costs incurred by NextBridge throughout construction to ensure that the East-West Tie Project is built in a cost effective manner.

This letter sets out OEB staff's comments regarding the First Progress Report, and identifies further reporting requirements or formats that NextBridge is expected to follow in some or all future quarterly updates as a condition of its transmission licence.

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<sup>1</sup> ET-2011-0222

## **Project Contingency and Cost Increases**

OEB staff notes that NextBridge has already allocated 99.8% of its \$49 million contingency to cover projected cost increases in the following categories: Engineering & Construction, Environmental & Remediation Activities, and Indigenous Activities. This is of particular concern given that the First Progress Report identifies a number of risks that have the potential to increase costs if they materialize. The First Progress Report attributes most of the projected cost increase to a delay in the original 2020 in-service date to 2021. OEB staff does note that NextBridge's evidence in the leave to construct proceeding seemed to indicate that NextBridge could maintain its cost estimate for a 2021 in-service date.<sup>2</sup>

As the whole of the contingency budget has essentially already been allocated, further project cost increases resulting in overages relative to the overall project budget appear likely. Further to the reporting requirements in its licence, and to ensure appropriate monitoring, NextBridge is required to include in its next quarterly report a detailed explanation of what it is doing to actively manage its budget, reduce risks, and contain costs, including mitigating any potential cost increases for the East-West Tie Project.

## **Reporting on Other Matters**

Further to the reporting requirements in its licence and the OEB's July 29, 2019 letter, based on our review of the First Report we will require NextBridge to report on the following in all future East-West Tie Project quarterly reports filed with the OEB.

### *Summary of Co-ordination Efforts with Hydro One Networks Inc.*

Given the need for co-ordination between NextBridge and Hydro One Networks Inc. (Hydro One) in order to bring the East-West Tie Project into service in a timely and efficient manner, the OEB requires NextBridge to provide in all future quarterly reports a status update regarding co-ordination with Hydro One in relation to the East-West Tie Project.<sup>3</sup> These status updates should include:

- An overview of key negotiations, agreements, and co-ordination efforts between NextBridge and Hydro One
- The status of, and any potential changes to, access road and transmission line crossings

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<sup>2</sup> NextBridge Reply Argument (EB-2017-0182/0194/0364), November 9, 2018, p. 14, para. 31 citing Oral Hearing Transcript Volume 7, pp. 49-50; see also Oral Hearing Transcript Volume 7, pp. 51-52.

<sup>3</sup> Hydro One is also being required to provide this information as part of its reporting requirements.

- Details regarding any other material developments, issues or risks related to co-ordination between NextBridge and Hydro One

### *Project Cost Table*

As part of the reporting requirements set out with the OEB's July 29, 2019 letter, Column F in the Project Cost Table is to reflect any change (i.e., the delta, whether an increase or decrease) in the forecast budget from the last quarterly report that is known. In the First Progress Report, Column F reports the new (total) budget cost for the category. For future quarterly reports, NextBridge is required to provide the forecast budget change from the last quarterly report (i.e., the delta, whether an increase or decrease) in Column F and to add a new Column H that provides the new (total) budget cost for that category. An updated Project Cost Table template is attached.

In the First Progress Report, NextBridge grouped related cost categories (e.g., categories 3 and 10 were grouped as Environmental & Remediation Activities). NextBridge also failed to provide costs for each of the categories, and instead in some cases provided only an aggregated number by grouping; for example, costs for each of categories 3 and 10 were not provided, only an aggregated number for Environmental & Remediation Activities was provided. While the OEB does not have any concerns with the reordering of the cost categories, the costs for each of the 14 categories must be provided in all future quarterly reports.

### *Table of Activities in Work Fronts*

In all future quarterly reports, in the Table of Activities in Work Fronts for the reporting period (page 4 of the First Progress Report), NextBridge is to list the work fronts in sequence according to the current schedule. For example, it appears that construction work is planned to commence with Work Fronts 1 and 7, and then continue to Work Fronts 2 and 8; however, the order presented in the Table of Activities begins with Work Front 7 followed by Work Front 8. While the actual order of construction may change depending on the receipt of permitting approvals and other factors, it would nevertheless be helpful to have the work fronts arranged in order of how the work is intended to be scheduled in order to more clearly allow delays or changes from the original schedule to be seen.

NextBridge is reminded that it is required to file its quarterly reports by the 15<sup>th</sup> business day of the month following each quarter through the OEB's web portal at <http://www.pes.ontarioenergyboard.ca/services/> quoting file number **EB-2017-0182**. If the additional information requested through this letter creates concerns with

NextBridge's ability to file its next quarterly report by the specified timeline, NextBridge may request an extension from the OEB. A copy of the filed reports should also be sent to the individuals copied on this letter below. All quarterly reports, including the First Progress Report, and any correspondence related to them, are posted on the OEB's website under the EB-2017-0182 file number.

Please direct any questions relating to this matter to David Martinello at [David.Martinello@oeb.ca](mailto:David.Martinello@oeb.ca) or at 416-440-8142. The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Brian Hewson  
Vice President, Consumer Protection & Industry Performance

cc: Devon Huber, Sr. Manager – Regulatory Affairs, IESO  
Joanne Richardson, Director – Major Projects and Partnerships, Hydro One Networks Inc.

Attachment: Updated Project Cost Table

## Updated Cost Table for the NextBridge East-West Tie Project

The Construction Cost Update portion of the report shall include the following table that summarizes budgeted vs. actual expenditures to date, as well as any forecast changes in budget and the revised total budget. Percentage values in the cost table should be to 2 decimal places.

### NextBridge East-West Tie Project Reporting Costs Table

COST CATEGORIES FOR NEXTBRIDGE'S CONSTRUCTION COSTS REPORTING		ACTUALS SPENT		BUDGET			FORECAST BUDGET VARIANCE			
		A SPENT THIS REPORTING PERIOD \$	B TOTAL SPENT TO DATE \$	C BUDGET PER LTC APPLICATION \$	D=C-B BUDGET REMAINING \$	E=D/C*100 BUDGET REMAINING %	F FORECAST BUDGET CHANGE FROM LAST REPORT \$	G FORECAST BUDGET CHANGE FROM LAST REPORT %	H REVISED TOTAL BUDGET	REASONS FOR CHANGE
1	Engineering, Design and Procurement			19,342,245						
2	Materials and Equipment			89,408,231						
3	Environmental and Regulatory Approvals			13,030,561						
4	Land Rights (excludes Aboriginal)			23,830,512						
5	Indigenous Economic Participation			7,000,000						
6	Indigenous Consultation			13,211,000						
7	Other Consultation			2,530,194						
8	Site Clearing, Access			107,463,339						
9	Construction			356,547,573						
10	Site Remediation			13,898,699						
11	Contingency			49,339,445						
12	Regulatory			5,405,078						
13	EWT Management			4,900,644						
14	Interest During Construction			31,003,000						
TOTAL CONSTRUCTION COSTS				736,970,521 <sup>4</sup>						

<sup>4</sup> On the record (EB-2017-0182)