UPPER CANADA TRANSMISSION INC.

Response to Hydro One Interrogatory 1

Reference: UCT Application Letter

In UCT's cover letter accompanying its application, it has applied for "exemption, until such time as it becomes designated by the Board as a transmission developer or owns and/or operates transmission facilities in the province" from the OEB's Affiliate Relationships Code and the Electricity Reporting and Record Keeping Requirements.

a) In light of the Board's recent decision in TransCanada Transmission's licence application (EB-2010-0324) to deny TransCanada's request for a temporary exemption from the Affiliate Relationships Code ("ARC"), is UCT prepared to withdraw its own request for such a temporary ARC exemption?

b) If not, please indicate what is different about the circumstances of UCT's exemption request from TransCanada's?

c) When UCT is required to be compliant with all relevant sections of the ARC, please indicate the steps it will take to ensure compliance.

Response:

a) and b) See response to Board Staff Interrogatory 3.

c) UCT will be supported by NextEra's centralized corporate compliance group (please see response to GLP interrogatory 3). This compliance group has significant experience in developing robust compliance programs in response to regulatory requirements and instituting, training in respect of, and monitoring compliance with, those programs and regulatory requirements such as those set out in the Board's *Affiliate Relationships Code for Electricity Distributors and Transmitters* (*ARC*). In respect of *ARC* compliance issues in particular, NextEra's compliance function has extensive experience with U.S. Federal Energy Regulatory Commission (FERC) regulations which prescribe various requirements in respect of affiliate relations and transactions. The FERC's Standards of Conduct rules govern the relationship between a transmission provider's transmission function employees and the employees of its, or its affiliates', marketing function employees. The requirements mandate non-

discriminatory and independent conduct, non-disclosure of non-public information, and equal treatment of customers. In addition, FERC's rules applicable to sellers with market-based rate authority (such as UCT's affiliated power producers other than those in Florida) establish requirements relating to sales to affiliated franchised public utilities with captive customers, and address sharing of market information. Florida Power & Light is also required by law and Florida Public Service Commission regulation to comply with certain cost allocation requirements for transacting with its affiliates. FPL must properly account for its affiliate transactions and non-regulated activities so that the costs associated with these transactions and activities are not borne by FPL's regulated distribution and electricity supply customers.

NextEra's corporate compliance group is experienced at instituting procedures and safeguards to comply with these affiliate requirements, and will assist UCT in ensuring that appropriate procedures are in place to comply with the *ARC*.

UPPER CANADA TRANSMISSION INC.

Response to Hydro One Interrogatory 2

Reference: UCT application, Section 10, Information About Each Key Individual

The application has identified key individuals that are currently engaged in electricity services.

a) If a transmission licence is granted, will the key individuals listed in the application be located in Ontario, and if so, when? If not, who will be the key in-province contact?

b) Other than the key individuals listed, if a licence is granted, will UCT have both staff and an office in Ontario?

c) If yes to part b), will UCT share office space, employees and information systems with affiliates and if so, how will it ensure compliance with ARC sections 2.2.2 and 2.2.3?

d) Does UCT plan to operate the network transmission facilities that it builds and owns in Ontario or will it outsource operations to a third party?

e) If UCT intends to operate and maintain transmission facilities in Ontario, what training plans does AOLP [*sic*] have to ensure its staff are trained in provincial transmission operating and maintenance practices and procedures?

Response:

a) and b) Please see response to Great Lakes Power interrogatory 3b).

c) Please see response to Hydro One interrogatory 1c).

d) UCT's current intentions are to own and operate any network transmission facilities that it builds and owns in Ontario.

e) Please see response to Great Lakes Power interrogatory 3 and Hydro One interrogatory 1c).

UPPER CANADA TRANSMISSION INC.

Response to Hydro One Interrogatory 3

Reference: UCT application, Section 9, Technical Ability

UCT Application, Schedule D, Project Summaries

a) For the projects described in Schedule D, please provide budgeted versus actual costs and schedule, with explanations for any major variances.

b) Please provide a listing of any complaints received during the development and construction of these projects along with their resolution.

c) Please indicate whether there were any aboriginal interests that were required to be consulted or accommodated as part of these projects.

d) Please indicate whether UCT or its affiliates have constructed any transmission line projects in Canada. If so, please identify the projects and indicate whether there were any First Nations consultations required and briefly describe the outcome of the consultations.

Response:

a) **Texas Clean Energy Express.** One of the challenges in Texas has been having enough transmission capacity to deliver renewable energy to where it is needed. To address this, NextEra built a 366 kilometer self-funded transmission line which connects over 700 MW of wind facilities to where electricity is needed.

As this project is a private generation tie line, the costs of the project are considered commercially sensitive. The final constructed cost of the project was 12.3% over the initial estimated cost. (This figure excludes land costs, for the reasons that follow.) The main driver for the increase over the original estimate was the increase in the length of the line by 16.2%. The routing on which the original estimate was based was changed in the process of negotiations with private property owners to secure the route for the line. As the line was a private venture, no expropriation or “eminent domain” rights existed, and the project had to be adjusted to address the commercial exigencies of these landowner negotiations. The final route was longer, and involved more turning structures

than initially estimated for. (Given the 16.2% increase in the length of the line, the increased number of turns in the line, and an increase in actual versus estimated cost of only 12.3%, on a unitized basis the project was built for 3.4% less cost than initially estimated.)

The project was completed on schedule, to match the commercial operation date of the connected generation facilities.

Lone Star Transmission. This project is in progress, and is currently on time and on budget.

Blythe Energy Project. This project is a private generation tie line, and specific cost information is considered to be commercially sensitive. The project was completed approximately 7 weeks ahead of schedule and at 17% below the estimated project cost. The main drivers for these positive variances were strict cost controls and NextEra's approach to working with qualified contractors.

b) **Texas Clean Energy Express.** Following is a summary of complaints received during construction of this project and their resolution. Out of the hundreds of landowners who provided easements or are adjacent to the line:

i) A few easement grantors have asserted claims that the land agents with whom they negotiated the easements improperly induced them to convey the easements. The project owner disputes the allegations and is seeking appropriate declaratory relief from the courts.

ii) Some complaints from owners of adjoining lands were received alleging that: a) electromagnetic fields (EMFs) associated with the project constituted actionable trespass to their properties; and b) the electrical grounding of a partition fence along the acquired right of ways resulted in actionable trespass to their properties. The project owner has responded to these claims, denying any legal or factual basis for the claims. Since responding no further communications have been received.

iii) Certain parties have demanded compensation related to the loss of livestock and costs associated with moving livestock during construction of the transmission line. The project owner has denied liability.

iv) Certain parties have demanded compensation for alleged damage to property during construction. The project owner completed restoration work on the affected properties and no further communications from the parties have since been received.

v) One party asserted a claim for payment for the use of her property during construction of the line. The project owner determined that the party's land

was not used during construction, and terminated the option for easement earlier obtained from the party without having exercised it.

vi) One party asserted a claim that the transmission line was constructed outside of the recorded easement related to his property. The project owner obtained a land survey indicating that the line was constructed within the easement, and provided a copy of the survey to the complainant. No further communications from the complainant have been received.

vii) Various claims were asserted related to; a) compensation for alleged failure to replace/close gates after use by construction vehicles; and b) alleged failure to maintain and repair roads over eased land. All such claims have been settled.

viii) One party claimed title by adverse possession to certain property affected by construction of the transmission line. The claim was settled by the parties entering into a transmission easement agreement.

Lone Star Transmission. Two legal actions have been filed in the Texas district court for Travis County challenging and seeking to enjoin the PUCT from implementing the order granting Lone Star a Certificate of Convenience and Necessity (CCN) to construct the project. The first challenge is a direct appeal of the Lone Star CCN order alleging notice and due process violations. The second challenge is an independent action filed by a corporation in the vicinity of Cisco, Texas and the City of Cisco itself due to alleged interference of the to-be-constructed Lone Star transmission line with a proposed private air strip and alleged failure to properly notice the Cisco municipal airport and purported Federal Aviation Administration (FAA) violations that would result from construction of Lone Star's facilities. Lone Star is not a defendant in either action, but has intervened in support of the State, which is defending the validity of its order. Court decisions in these actions are expected in late 2011.

In addition, Lone Star is working with landowners to resolve any issues related to the 900+ parcels, involving 700+ individual landowners, that are needed to construct the project. The only formal complaint is a civil court action filed by one landowner alleging that Lone Star damaged his fence and caused cattle to escape. The judge denied the claim. Another landowner filed an informal letter with the PUCT complaining that, contrary to his expectations, the line is not located on his property.

Blythe Energy Project. One formal inquiry regarding the project was submitted to the California Energy Commission by an easement grantor requesting before and after photographs where the line crossed the inquiror's property. The photographs were provided.

An issue was raised by an easement grantor regarding relocation of a pole on the easement during construction relative to the originally documented location. The issue has been resolved with the landowner.

An issue was raised regarding the location of two poles placed on land that the local Bureau of Land Management claimed ownership of. It was determined that a private party owned the property and the appropriate easement was entered into with this party.

c) **Texas Clean Energy Express.** There were no aboriginal interests that were required to be consulted for this project.

Lone Star Transmission. To date, there are no aboriginal interests that are required to be consulted for this project.

Blythe Energy Project. Blythe Energy, through their contractor Tetra Tech, contacted the Native American Heritage Commission (NAHC) early in the permitting process. The NAHC provided information regarding the project area and a list of Tribes and/or individuals with cultural ties to the region who may have additional information regarding sensitive resources in the project area, or who may be interested in the project.

Blythe Energy, through Tetra Tech, contacted the tribes and/or individuals listed by the NAHC with a letter and follow up phone calls requesting information and/or concerns regarding the project area. No concerns were raised. In addition, Tetra Tech assisted the lead Federal agency (for National Environmental Policy Act of 1969 (NEPA) and National Historic Preservation Act Section 106 consultation) with their government to government Native American consultation by providing consultation letters for distribution and information on cultural resources within the project area, and by coordinating meetings and field visits.

The original alignment of the Blythe Energy Transmission Line Project ran within and near “Alligator Rock District” (an Area of Critical Environmental Concern under the Federal Land Policy and Management Act of 1976) and The North Chuckwalla Mountain’s Petroglyph District (a National Register listed historic resource). A series of meetings and field reviews, coordinated by Blythe Energy and Tetra Tech, brought together the responsible federal and state agencies, local Native American community, and project engineers to address concerns regarding these resources and the project. Comments received at the field reviews were responded to by a cost-effective realignment that avoided sensitive resources and a mitigation measure that was feasible and implemented during purchase of materials. Poles and spur roads were realigned beyond the boundary of the district and a Surface Treatment Plan was developed and implemented which provided for a standard color to be blended into the concrete

during the production of the poles in this area, changing their color and reducing their visibility. In addition, and under a California State requirement, Blythe Energy employed Native American monitors throughout construction of the transmission line, which was completed without incident.

d) UCT has not built any transmission lines in Canada. NextEra companies' transmission facilities in Canada have to date been limited to short generation tie lines and ancillary switching and transformation substations associated with its generation projects. None of these minor projects required First Nations consultations.

UPPER CANADA TRANSMISSION INC.

Response to Hydro One Interrogatory 4

Reference: UCT Application, Section 17, Proposed Business Transactions Impact

The application indicates that NextEra, in implementing the Texas Clean Energy Express transmission project, introduced spun concrete poles.

a) Please compare the lifespan of a spun concrete pole with that of a steel transmission pole/tower.

b) How long have spun concrete poles been used for electricity transmission (as opposed to distribution) purposes in North America? In UCT's view, is that length of experience sufficient to validate manufacturers' lifespan claims?

c) Are spun concrete poles expected to be suitable for use on transmission projects in northern Ontario, given climate and terrain considerations?

Response:

a) High performance spun concrete poles have a life expectancy of over 75 years under normal operating conditions. This new generation of spun concrete pole technology utilizes high-strength concrete (over 12 ksi compressive strength), extra high-strength prestressed strands (300 ksi yield strength), and admixtures designed to enhance structural performance.

The service life of a spun concrete transmission pole has been shown in practice to be equivalent to that of a steel transmission pole/tower. NextEra's subsidiaries have also shown that spun concrete pole structures have much lower maintenance cost. Corrosion and wear/tear concerns are minor if any. Protective coating, a typical maintenance headache for steel towers, is not required.

b) Spun concrete poles have been utilized in the high voltage transmission industry in North America since the 1960's and in Europe since the late 1940's. The majority of these structures are still in service today. Modern technological improvements, both with concrete mix design and fabrication processes, allow manufacturers to provide even higher quality products. Currently, tens of thousands of spun concrete poles are fabricated for electrical transmission

applications in the United States annually. In the last fifteen years or so, spun concrete poles have been used in extra high voltage transmission applications in the United States.

Many utility companies choose spun concrete poles for transmission projects because of their excellent durability in addition to their technical and economical benefits. Condition assessment activities performed by a subsidiary of NextEra Energy indicate no material deterioration or aging concerns after a long duration of service.

c) As with all of its projects, NextEra, through UCT, will exercise best engineering judgment and practices with respect to the design, construction and maintenance of any transmission facilities it will own and operate in Ontario. The project summaries included as Schedule D to UCT's application were meant to illustrate a range of successful transmission projects that UCT's affiliates have built and operate in other jurisdictions. This material provides examples of the range and quality of work that NextEra will bring to Ontario through UCT. The decision as to which technology to use for any particular project can only be made after rigorous analysis of all the external factors. The project summaries filed are indicative of UCT's desire to pursue the optimal technology for the project and NextEra's commitment to drive innovative solutions in the transmission field.

In respect of spun concrete poles, such poles have been used in northern states such as Washington and the Dakotas. Cold weather environments can be a concern and need to be effectively addressed. However, unlike normal concrete products with a unit weight of approximately 145 lbs/ft3, a good quality spun concrete pole can achieve over 175 lbs/ft3 of dry density. This granite-like smooth surface has very low permeability. It can delay the rate and/or restrict the amount of water penetration. Thus, impact of freeze-thaw action in the winter is relatively minor.

Several papers associated with the permeability of spun concrete poles have been published in the past. Additional research (related to permeability or otherwise) will be conducted if necessary. NextEra Energy intends to select the best product for each individual project and will evaluate design alternatives thoroughly.

The final selection of any technology will be based on numerous inputs, environmental, technical and economic, and will be selected in order to best serve the rate-payers of Ontario given the circumstances of the particular project.

UPPER CANADA TRANSMISSION INC.

Response to Board Staff Interrogatory 1

Reference: Application Section 7. Financial Information

a) In its decision granting a transmission licence to Chatham-Kent Transmission Inc. (EB-2010-0351), the Board indicated that in a licencing application, it would *"review to some degree the applicant's financial status [and] its potential for access to further financial resources"*. Please describe Upper Canada's plans for financing any Ontario transmission facilities it may construct, including its potential for access to any necessary further financial resources.

b) Upper Canada has provided the financial statements of NextEra Energy, Inc. in support of its financial position, as Upper Canada is a newly created entity for which financial statements have not yet been prepared. In these circumstances, the Board may require a parental guarantee. Please confirm that NextEra Energy Inc. has reviewed the Board's standard parental guarantee form (attached) and that NextEra Energy Inc. is prepared to sign the guarantee, should the Board consider such assurance necessary.

Response:

a) At section 17. of its Application (page 14 of 17) UCT has provided the following information addressing its access to financial resources:

> *NextEra is continuously motivated by economics and efficiency. For example, NextEra's standard approach to project financing is to utilize internally generated funds during the construction period and then obtain limited or non-recourse financing at or after the project's commercial operation date. NextEra Energy Capital Holdings (NECH), a wholly-owned subsidiary of NextEra, provides funding for NextEra's operating subsidiaries (other than Florida Power & Light Company, its rate-regulated public utility). NECH is rated Baa1 (Stable) and A-(Stable) by Moody's and S&P, respectively. NECH has a very strong track record of accessing the capital markets on a limited or non-recourse financing basis (i.e. project financing). Through the diligent efforts of our experienced financing team and established relationships with several domestic and international financial*

institutions, NECH's recent project financings have accumulated more than $7 billion in limited- and non-recourse financing through 22 financings over the past 10 years.

As a member of the NextEra group, UCT would have ready access to internal financing as described above as well as corporate support from the NextEra group as a whole for external financing requirements.

b) UCT acknowledges that at the point in time when UCT, as developer of a specific transmission project in Ontario, assumes obligations with potential financial or operational impact on Ontario's electricity system and ratepayers, the Board would wish to ensure the availability of financial resources to support the execution of those obligations. UCT has inquired of NextEra and is confident that it would be able to provide appropriate corporate guarantees substantially in the form attached to Board Staff's interrogatory.

UPPER CANADA TRANSMISSION INC.

Response to Board Staff Interrogatory 2

Reference: Application, Section 9, Technical Ability

Upper Canada has described the technical ability of its parent company and affiliates to carry out electricity transmission activities and also states that it intends to contract local engineering and construction consultants to develop transmission facilities in Ontario. Will the same technical resources be employed to address technical matters related to the operation and maintenance of the transmission facilities? If not, please describe Upper Canada's plans.

Response:

Yes, UCT expects that a combination of employed and contracted personnel would be used in the operation and maintenance by UCT of transmission facilities that it develops and constructs in Ontario. Operational staffing for any particular Ontario transmission project would be determined as part of the project development process.

UPPER CANADA TRANSMISSION INC.

Response to Board Staff Interrogatory 3

Request for Temporary Exemptions

a) In the recent EB-2010-0324 and EB-2010-0403 decisions, the Board denied requests for temporary exemptions from the ARC by other applicants for a transmission licence. The Board has not yet granted to any transmission licence applicant a broadly based temporary exemption from the ARC such as that sought by Upper Canada. It is possible that the Board may deny the exemption request. Please indicate if Upper Canada would wish to be licensed if the Board granted a licence without the temporary exemption from the ARC.

b) With respect to the RRR compliance in its EB-2010-0324 decision the Board stated *"… some of the reporting and record-keeping requirements under section 3 of the RRR will, by definition, not apply to TransCanada Transmission unless and until it has transmission assets in the Province. However, a number of these requirements…should apply as of the date of licensing. These include, most notably the reporting and record-keeping requirements related to compliance with the ARC, which itself is a condition of the licence granted in this proceeding."* In the Board's recent EB-2010-0403 decision the RRR exemption request has also been denied. In light of these decisions, is Upper Canada prepared to withdraw its request for a temporary exemption from the RRR? If not, please indicate if Upper Canada would wish to be licensed if the Board granted a licence without the temporary exemption from the RRR.

Response:

a) UCT's transmission licence application was filed on June 3, 2011. In the transmittal letter under which the application was filed, UCT requested exemption from both the Board's *Affiliate Relationships Code for Electricity Distributors and Transmitters* (*ARC*) and the Board's *Electricity Reporting and Record Keeping Requirements* (*RRR*). The basis for the requested *ARC* exemption was that; i) UCT has over a hundred affiliates with which it may occasionally transact or share resources; ii) this network of available resources in fact commended UCT for transmission development in Ontario (particularly at the nascent, pre-development stage); and iii) until the point in time when UCT's costs might be recoverable from Ontario ratepayers, requiring *ARC* compliance in respect of

these affiliate relationships would serve no ratepayer or competitor protective function.

In a decision dated June 22, 2011[1], the Board denied a request by TransCanada Power Transmission (Ontario) LP for exemption from section 2.2.3 of the *ARC* and from section 3 of the *RRR*. In so deciding, the Board placed particular emphasis on concerns expressed by the IESO and Hydro One in relation to confidential information that a licensed transmitter may be expected to receive both during the anticipated transmission development designation process and as part of the ongoing business of operating a transmission system. The Board emphasized in its reasoning its view that such information obtained as part of a transmission development designation process would be *"utility information"* as defined in the *ARC*.

On August 22, 2011 the Board issued a letter requesting registration by transmitters interested in participating in the anticipated process for designation by the Board of a developer for the East-West Tie Line. The Board's letter indicates that the commencement of the East-West Tie Line designation process, and the consequent receipt by participating transmitters of *"utility information"* as defined in the *ARC*, is imminent.

Having considered the recent Board decisions on the matter, having had the opportunity to re-examine its current and likely affiliate relationships within the context of these recent Board decisions, and in light of the August 22nd letter from the Board inviting registration by transmitters interested in the upcoming East-West Tie Line transmission development designation process, ***UCT has determined that for the purposes of this licence application it is prepared to withdraw its request for temporary exemption from the ARC, subject to the request that follows.***

In withdrawing its request for exemption from the *ARC* as a whole, UCT also notes the Board's comments in the TransCanada Power transmission licence decision that the Board *"will.. be interested in any proposals that the IESO, Hydro One or other interested parties might wish to make at the relevant time if considered appropriate to ensure that confidential information is protected in a manner commensurate with its commercial value and sensitivity"*[2]. UCT will have an interest in definition of confidentiality protocols that provide satisfactory protection for relevant information without unduly constraining the ability of senior management of licenced transmitters to provide appropriate direction for project and OEB application development and execution.

[1] EB-2010-0324.
[2] EB-2010-0324, Decision and Order, June 22, 2011, page 11, first paragraph.

There is one provision of the ARC with respect to which UCT maintains its request for exemption, until such time as; i) it is designated to develop a particular transmission project in Ontario, or; ii) it otherwise acquires transmission assets in Ontario. That is section 2.1.2, adherence to which would require that at least one-third of UCT's Board of Directors be independent of any UCT affiliate.

For the assistance of parties wishing to comment on this narrowed *ARC* exemption request on their upcoming submissions, UCT will here set out its rationale for such request. UCT assumes that the *ARC* requirement for independent directors is intended to ensure that the licenced transmitter acts with due regard to its public service obligations, independent of any interests of its shareholder. UCT will not have public service obligations unless and until it is designated to develop, or otherwise acquires, transmission assets. Up until that time, including through its participation in any transmission development designation process, UCT's commercial obligations will be solely focussed on the best interests of its shareholder, subject to paying due regard to its transmission licence obligations and associated *ARC* and *RRR* requirements, and to its obligations to the Board as an applicant in any transmission development designation process. It is the latter obligations – pursuant to its licence and as applicant in a Board process – that ensure protection for *"utility information"*.

Any public service obligations of UCT would arise only upon its being awarded an opportunity to develop transmission assets to serve Ontario ratepayers, and to start to accrue development costs for recovery from Ontario ratepayers. Until such time, the requirement for UCT's shareholder to identify and secure service from independent directors will serve no protective function. On the other hand, as UCT currently has no other business interests in Ontario, it would present an administrative cost and corporate governance complication for UCT's shareholder to be obligated to seek out individuals completely independent of the NextEra corporate group who are willing to assume a director's role with, and director's responsibilities for, an otherwise nascent business.

b) On June 30, 2011 the Board issued a decision on the transmission licence application filed by Iccon Transmission Inc.[3] In that decision the Board denied Iccon's request for temporary exemption (until licencing and ownership and operation of transmission assets in Ontario) from section 3 of the *RRR*. In denying Iccon's request the Board clarified that a transmitter (i.e. a licensee) without transmission assets in the province will not be expected to comply with sections 3.3.1, 3.3.2 and 3.3.7 of the *RRR*.

[3] EB-2010-0403.

In light of the clarification provided by the Board in this recent decision, and in light of UCT's determination to withdraw its request for exemption from the *ARC* as a whole as set out in part a) to this response, UCT is prepared to withdraw its request for exemption from the *RRR*.

UPPER CANADA TRANSMISSION INC.

Response to Great Lakes Power Interrogatory 1

References

(1) Application cover letter dated June 3, 2011 re "Exemptions Requested"

Preamble

(1) In its application cover letter, Upper Canada Transmission Inc. ("UCT") requests "exemptions, until such time as it becomes designated by the Board as a transmission developer or owns and/or operates transmission facilities in the province, from (1) The Board's Affiliate Relationships Code for Electricity Distributors and Transmitters (ARC); and (2) The Board's Electricity Reporting and Record Keeping Requirements (RRR)."

Questions

(a) In light of the Board's decision in TransCanada Power Transmission (Ontario) L.P.'s ("TPT") transmission licence application (EB-2010-0324) to deny TPT's requests for (a) a temporary exemption from the transmitter obligations of Section 3 of the RRR until it becomes designated to undertake transmission work or otherwise becomes active in the Ontario transmission market, and (b) exemptions from sections 2.2.2 (this request was withdrawn by TPT) and 2.2.3 of the ARC, as well as the Board's decision in Iccon Transmission Inc.'s ("Iccon") transmission licence application (EB-2010-0403) to deny Iccon's request for a temporary exemption from Section 3 of the RRR until it becomes licensed and owns or operates transmission assets in Ontario, is UCT prepared to withdraw its own requests for temporary blanket exemptions from the ARC and the RRR?

(b) If UCT's response to (a) is no, please describe how the circumstances of UCT's application and exemption requests differ from the circumstances in EB-2010-0324 and EB-2010-0403.

Response:

a) and b) See response to Board Staff Interrogatory 3.

UPPER CANADA TRANSMISSION INC.

Response to Great Lakes Power Interrogatory 2

References

(1) Section 18 of Application re Ontario Market Activities.

(2) Schedule B to the Application.

Preamble

(1) UCT indicates that there are 8 generation facilities being developed by its Affiliates, including 2 projects that have received FIT Contracts and 6 projects that are awaiting FIT Contract offers.

(2) UCT indicates that the 2 projects that have received FIT Contracts will be filing for generation licences in 2011 and that, for one of these projects, an application for leave to construct a transmission line has been filed with the Board (EB-2011-0027).

Questions

(a) Please provide an update as to the status of the Ontario market activities of UCT and its Affiliates since the Application was filed, with respect to (i) EB-2011-0027, (ii) the filing of generation licences, (iii) the development of generation facilities that have been awarded FIT Contracts, (iv) the awarding of any new FIT Contracts for projects described in the Application, and (v) the development or acquisition of any projects or facilities not otherwise referred to in the Application.

Response:

(i) In EB-2011-0027 Summerhaven Wind , LP, an affiliate of UCT, has filed its final submissions and the matter is under deliberation by the Board.

(ii) No Ontario generation licence applications have been filed by UCT affiliates to date. Two affiliate generation projects were awarded FIT contracts in 2010; Summerhaven Wind, LP and Conestoga Wind, LP. NextEra anticipates applying for generation licences for these projects in Q1 2012 and Q4 2011, respectively.

(iii) Development work on the two NextEra generation projects awarded FIT

contracts in 2010 - Summerhaven Wind, LP and Conestoga Wind, LP – continues. The anticipated commercial operation dates for these two facilities are in Q4 2012 and Q2 2012, respectively.

(iv) NextEra, through wholly owned subsidiaries, was awarded FIT contracts for 6 new projects in the latest round of contracting, the results of which were announced July 4, 2011. Development of these projects is proceeding, with commercial operation dates anticipated within the standard 3 year timeline. The six recently contracted FIT projects are;

Bluewater Wind Energy Centre (60 MW)
Jericho Wind Energy Centre (150 MW)
Bornish Wind Energy Centre (73.5 MW)
Goshen Wind Energy Centre (102 MW)
Adelaide Wind Energy Centre (60 MW)
East Durham Wind Energy Centre (23 MW)

(v) NextEra has entered into agreements with First Solar, Inc., to purchase four solar photovoltaic projects in Ontario, totalling 40 mw of generating capacity. NextEra Energy Canada will own and operate all four projects. The projects are located in the Townships of Moore and Sombra, and have contracts with the Ontario Power Authority.

UPPER CANADA TRANSMISSION INC.

Response to Great Lakes Power Interrogatory 3

References

(1) Sections 9 and 10 of the Application.

Preamble

(1) In Section 9 of the Application, UCT indicates by having not ticked the relevant boxes that it does not intend to contract for design, construction, customer connection, inspection and maintenance and operation of transmission facilities. However, UCT indicates that it does intend to contract for "other" activities.

(2) In the description of "other" activities to be contracted under Section 9 of the Application, UCT states that it anticipates procuring services from engineering and construction consultants and contractors.

Questions

(a) Please clarify which activities UCT intends to use the capability of others for in developing, constructing, maintaining and operating transmission facilities in Ontario, as well as the persons that UCT intends to contract with for such activities, if known.

(b) If the transmission licence is granted, which, if any, of the key individuals listed in Section 10 of the Application would be located in Ontario? What other staff would UCT have in Ontario? Will any such key individuals or other staff share office space with any Affiliate of UCT?

(c) What are UCT's plans for operating and maintaining transmission facilities in Ontario, particularly with respect to (i) staffing and (ii) training in Ontario-specific practices, procedures and requirements for transmission?

Response:

a) As stated in section 4 of UCT's application, UCT is applying for an Ontario electricity transmission licence in order to qualify for participation in transmission development designation processes as described in the Ontario Energy Board's *Framework for Transmission Development Plans* [EB-2010-0059]. As described

in section 6 of UCT's application, UCT's ultimate parent, NextEra, is a leading clean-energy company with 2010 revenues of approximately US$15 billion, approximately 44,000 megawatts of generating capacity in service, and more than 15,000 employees in 28 U.S. states and 4 Canadian provinces. UCT's affiliate businesses include regulated distribution and transmission utilities and companies with extensive electrical generation operations. Section 9 of UCT's application provides information on the technical abilities of the employees of UCT's affiliates across North America. Further information on the execution of representative NextEra projects is provided in the "Project Summaries" attached as Schedule D to UCT's Application.

As this application is not brought in reference to any particular transmission project, UCT cannot at this stage determine which project planning, development and execution resources will be provided by future employees, which will be sourced from its affiliates, and which will be outsourced to independent, qualified third party contractors.

Historically, NextEra companies have used both internal resources and qualified third party contractors and consultants as required/prudent in accord with the best interests of the project and rate-payers. For example, NextEra companies often utilize contractors with local experience in areas of land acquisition, environmental due diligence and permitting, engineering, procurement and construction. When utilizing external resources, NextEra personnel manage and supervise to ensure that contractors continue to meet NextEra performance standards.

In section 9b) of its application, UCT, has provided information on the well developed approach of its parent company, NextEra, in procuring and managing qualified external resources for deployment on NextEra projects. To the extent that UCT determines, in the context of a particular future project in Ontario, to utilize external resources, it will follow these NextEra group protocols in doing so.

b) Oliver Romaniuk and Jennifer Tuck, both listed as "Key Individuals" in UCT's Application, are currently located in Ontario. It is anticipated that they would remain in Ontario in the near term to support the planning and development of any UCT transmission projects.

As UCT's project work develops, further staff will be hired in/located to Ontario. While specific staffing plans for UCT in Ontario have not been made, pending identification and commitment to a particular Ontario transmission project, the recent experience of UCT's Texas transmission affiliate, Lone Star Transmission LLC, is in line with UCT's expectations for its Ontario operations. In 2009, Lone Star was awarded more than 300 miles of transmission line development under the Public Utility Commission of Texas' (PUCT) Competitive Renewable Energy

Zones (CREZ) transmitter designation process. Land for the transmission substations for the Lone Star project has been secured, and right of way (ROW) acquisition for the transmission line is underway and on schedule. To facilitate coordination of the ROW and construction activities, Lone Star has established two field offices, housing employees, numerous contractors, and ROW agents. In addition, Lone Star's head office in Austin, Texas, which housed 6 employees when Lone Star filed its application with the PUCT, now houses 12 employees, 10 consultants or shared services employees, and is in the process of hiring additional personnel. Lone Star's senior officers in it Austin office include its President, Project Director, Director of Operations, and Director of Strategy and Regulatory Affairs. Lone Star's operations personnel based in Texas will be responsible for transmission grid management, field operations, inspections, and maintenance activities for the Lone Star system.

In Ontario, there are currently 10 individuals working for NextEra companies located in NextEra's Burlington, Ontario offices. It is likely that, subject to meeting the requirements of the Board's *Affiliate Relationships Code for Electricity Distributors and Transmitters*, UCT personnel will continue to be co-located with other NextEra company Ontario based personnel for the foreseeable future.

c) UCT's plans for Ontario staffing are addressed in parts a) and b) of this response.

In respect of training in Ontario-specific practices, procedures and requirements for transmission, UCT will be supported by NextEra's centralized corporate compliance group. This group supports distribution, transmission and generation operations across North America by developing detailed and robust Internal Compliance Programs (ICPs) to ensure compliance with all applicable Federal Energy Regulatory Commission (FERC) regulations, North American Electric Reliability Corporation (NERC) requirements and Independent System Operators (ISO) market rules.

NextEra currently operates in all eight NERC regions and participates in multiple energy markets. As such, NextEra has processes and procedures to comply with all applicable requirements for the regions or markets in which it operates. NextEra works to make each new asset compliant with the applicable NERC Standards, including Critical Infrastructure Protection (CIP) Standard requirements, regulatory requirements as applicable and ISO market rules.

The NextEra ICPs consist of the following parts:

1. Compliance processes and procedures;
2. Effective independent oversight;
3. Effective training and education for roles and responsibilities;

4. Monitoring and auditing;
5. Enforcement for violations; and
6. Corrective actions

NextEra has developed and maintains specific processes and procedures that address the areas of; i) structure and oversight; ii) monitoring and internal reviews; and iii) education and training.

In respect of structure and oversight, NextEra has a corporate compliance organization that oversees the implementation of the ICPs. This organization has independent oversight from the operational business units. In addition, each operating business unit has staff that ensures compliance activities are executed accordingly.

In respect of monitoring and internal reviews, compliance monitoring is accomplished by internal reviews, spot checks, investigations, letters of certification, and data submittals. Internal reviews are conducted to ensure NextEra is compliant in accordance with the applicable NERC standards, regulatory requirements and market rules.

In respect of education and training, NextEra understands that education and training are imperative to effective compliance efforts. NextEra is committed to ensuring all responsible personnel are educated and trained in the applicable operational requirements and standards.