

October 30, 2015

RESS, EMAIL & COURIER

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

Attention: Ms. K. Walli, Board Secretary

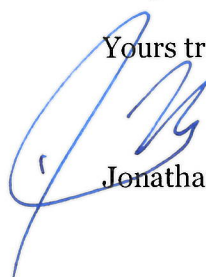
Dear Ms. Walli:

**Re: Wataynikaneyap Power LP - Electricity Transmission Licence Application
(EB-2015-0264)**

We are counsel to the Applicant in the above-referenced proceeding. The Applicant filed its Application on September 8, 2015. In response to a request from Ontario Energy Board staff, we are pleased to provide the attached supplemental information in support of the Application. This includes (a) a new Appendix – Response #12, (b) an expanded Appendix – Response #16, and (c) a new Schedule ‘E’.

Please note that Schedule ‘E’ is being filed in accordance with the Board’s *Practice Direction on Confidential Filings*. This information consists of the Applicant’s *pro forma* financial statements, as requested under Part 16 of the Board’s transmission licence application form. This financial information is commercially sensitive and its disclosure on the public record has the potential to adversely affect the Applicant.

Yours truly,



Jonathan Myers

JM

cc: Ms. Margaret Kenequanash, WPLP
Ms. M. Beauchamp, RES
Mr. D. Bradbury, Fortis
Mr. C. Keizer, Torys LLP

APPENDIX – RESPONSE #12

FINANCING ARRANGEMENTS

Funding for development of the Project has and will continue to come from direct equity contributions by the two unit holders, First Nation LP and Fortis-RES LP, through regular capital calls. Upon receiving Leave to Construct approval for the Project, Wataynikaneyap Power LP intends to fund the construction of the Project in phases, commensurate with the construction schedule for the Project, with a combination of equity contributions from its unit holders and construction finance debt, which will provide financing for the Project consistent with the Board's deemed debt to equity structure for regulated transmitters.

APPENDIX – RESPONSE #16

SERVICE TO OTHER PARTIES

Given that the planned Transmission System, once built, will be used to deliver electricity to parties other than the Applicant, the following is a summary of the Applicant's business plans for the next five years, as well as related information. Due to the current stage of transmission system development, the Applicant is not in a position to provide each of the specific items that is called for in the application form. However, in an effort to assist the Board in considering the Application, the Applicant has provided the following information about its business plans, forecast demand, as well as financial matters. Also set out below is a brief discussion as to the rationale for the timing of the Application.

Application Timing

The timing of the Application is driven by the unique nature of both the Project and the Applicant. The Project will be a newly-built, large-scale transmission system in remote Northwestern Ontario with the key objective of reinforcing the existing system, as well as connecting and providing electricity transmission service to remote First Nation communities that are not connected to the grid and which, as a result, currently have high cost, dirty and constrained power supplies.

The Project has been identified as a priority for the Province for at least the past 5 years. While not being the subject of a designation process or a Ministerial directive during this period, the Applicant has undertaken significant development activities, including obtaining approval for the environmental assessment Terms of Reference for Phase One. Furthermore, fundamental to the progression of the Project from policy to a "project under development" and fundamental to the future success of the Project, the Applicant has undertaken extensive engagement efforts with potentially impacted First Nation communities, which are located over geographically disparate areas, in order to unify 20 First Nation communities for the purposes of developing, constructing, owning and operating the Project.

As such, the Applicant is controlled by a limited partnership that is made up of those 20 First Nations, which allows for a greater level of participation by these communities in the Project. These communities have an interest not only through the Applicant, but they are also directly affected by the Project. In particular, 16 of the Participating First Nations are remote First Nation communities that will be connected to the grid through the Project.

The Applicant has also undertaken significant engagement efforts with government, industry partners, lenders and other stakeholders. The partnership with Fortis and RES has combined financial and technical expertise with the goals and objectives of the First Nations to further enhance the Project's development progression.

A news release from the Ministry of Energy, on the occasion of Minister's attendance at the signing of the partnership agreement between the Participating First Nations and Fortis-RES, noted that the partnership agreement "demonstrates progress towards Ontario's plan to connect 16 remote First Nations communities that currently rely on diesel power to the electricity grid." Moreover, in a recent speech, the Minister of Energy described the Applicant as an "unprecedented public/private partnership" and noted that it has long recognized the value of the Applicant's Project to northwestern Ontario's remote communities by committing to it in the Long-Term Energy Plan. The Minister stated that referring to the Project as a "priority" project "may be too weak a term". The Minister also drew a connection between the Project and Ontario's involvement in a Pan-Canadian Task Force that is taking action to co-operate on reducing the use of dirty diesel fuel for electricity generation in remote Northern communities. In addition, the Minister indicated that analysis from the IESO shows that grid connecting remote communities makes economic sense.¹

The Application is regarded by the Applicant, its partners and, in particular, by the Participating First Nations, as a fundamentally important milestone for the Project and as a tangible demonstration of the efforts and progress made to date to bring this important Project to fruition. Securing a transmission licence at this time will enable the Applicant to continue to build momentum for this challenging and unique project with and within the First Nation communities as it moves forward with the next stages of development - in the field, with the financial community as it builds on existing and develops new relationships to arrange future financing, and with government and system planners as need and policy aspects continue to be assessed.

As an entity that is rooted in, as well as controlled and supported by the Participating First Nation communities, it is vital for the Applicant to obtain the transmission licence as a key initial step in establishing the legitimacy that it, as the developer of the Project, has and that it is making demonstrable progress in delivering the Province's priority project.

Summary of Business Plans

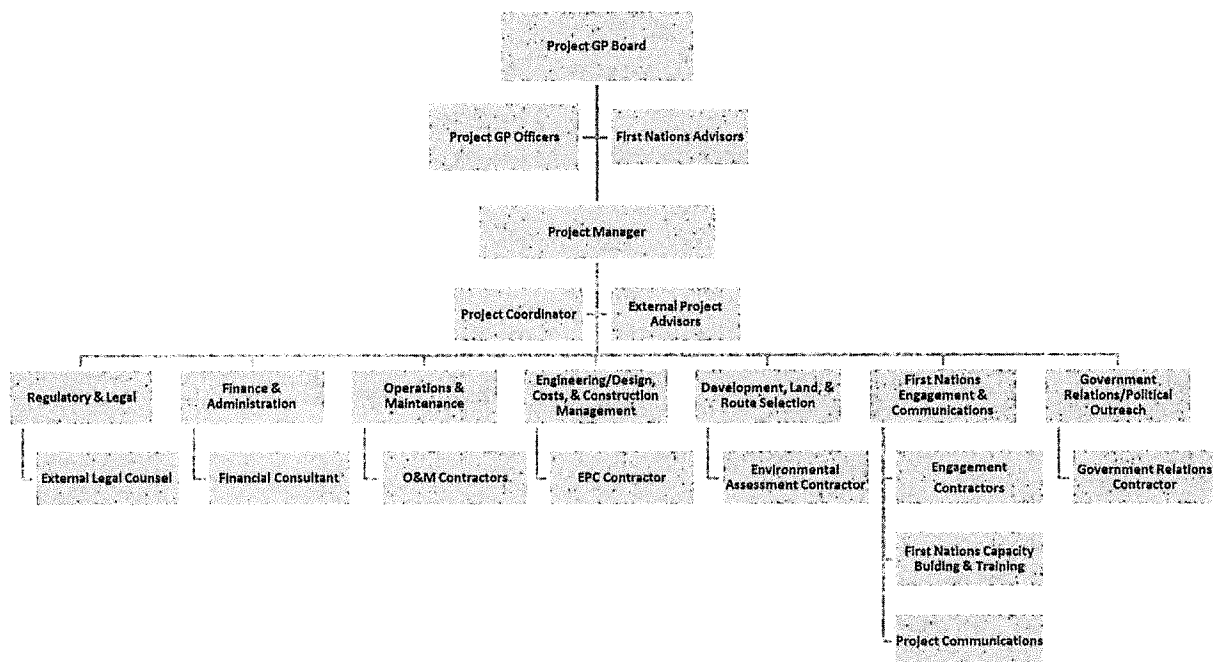
Wataynikaneyap Power LP is a partnership in the truest sense. It is a partnership that brings together the capabilities and resources that are necessary to develop, construct and operate the Project. The success of the Project will depend in large part on how the partners have organized themselves to deliver and serve the Project.

To develop a project that will be constructed on First Nation traditional lands, and which will serve First Nation communities, it is vital to consider all aspects of First Nations engagement and participation. The First Nation partners in the Project have the expertise and understanding that is necessary to develop and effectively implement engagement plans in connection with Project development, construction, ownership and operations. A project of this scale also requires strong project development and transmission construction capabilities. Based on numerous infrastructure projects developed and constructed around the world, RES Canada brings significant project development and construction management experience, skills and knowledge

¹ Remarks for The Honourable Bob Chiarelli, Minister of Energy, Ontario Energy Association Gala, Sony Centre for the Performing Arts, September 16, 2015.

to the Project. In addition, the Project will benefit significantly from the extensive operational, regulatory and financial experience and resources of FortisOntario. This experience will be of particular value given the geographically expansive area that will be served by the Project. FortisOntario and RES Canada also bring significant experience and ability to raise the capital required for the Project.

The Applicant has developed an organizational structure that is designed to harness the various strengths and capabilities of its partners in order to establish a team that can successfully complete and operate the Project facilities. This structure is depicted below. Each of the functional teams within the organizational structure will draw on the expertise and resources of the Applicant's partners. Where necessary, the Applicant will retain external support from experienced and qualified contractors and professional service providers. Throughout the development and construction phases and during the operational phase of the Project, the Applicant will also seek opportunities for building First Nation capacity, including through employment opportunities, as well as in sourcing third party material suppliers and services.



As noted in response to Part 12, the proposed in-service date for Phase One is December 2019 and the proposed in-service date for Phase Two is March 2024. Accordingly, over the next five years the Applicant will be focused on:

- planning, developing, constructing and bringing into service, as well as commencing operation of, Phase One of the proposed Transmission System;

- planning and developing Phase Two of the proposed Transmission System;
- pursuing Leave to Construct from the Board in respect of the Transmission System;
- securing project financing for both debt and equity requirements;
- developing its organizational capabilities as an owner and operator of the proposed Transmission System, including with respect to staffing, procurement, accounting, regulatory, operations and other areas;
- working with distribution and other customers seeking to connect their facilities, in particular distribution facilities that will serve the remote First Nation communities, to the Transmission System; and
- seeking approval for initial transmission rates for the proposed Transmission System in accordance with the system in-service dates.

Forecast of Annual Peak Demand and Energy Transmitted and/or Transformed

To determine if there is an economic case for connecting Ontario's 25 remote First Nation communities to the provincial electricity grid, the former Ontario Power Authority and representatives from remote communities and local tribal councils formed a working group known as the Northwest Ontario First Nations Transmission Planning Committee. As a member of the Committee, the Ontario Power Authority conducted technical and economic evaluations of supply options for the remote communities, with oversight and guidance contributed by representatives from the First Nation communities and tribal councils. One outcome of this work was the issuance of a *Draft Technical Report and Business Case for the Connection of Remote First Nation Communities in Northwest Ontario* in August 2014.² In the report, which concluded that the connection of 21 of the remote communities would result in savings of approximately \$1B over the 40 year planning horizon relative to continued diesel generation, the Committee describes the assumptions and forecasts it used in identifying potential supply options, including with respect to load and consumption growth. The Committee conservatively estimated that annual electricity demand growth over their 40 year planning horizon would be 4%. In addition, long-term load for the 25 remote communities in northwest Ontario was forecast as follows:

	Forecast Peak Load for 25 Remote Communities				
	2014	2024	2034	2044	2054
Peak Load (MW)	18	27	40	59	87
Energy Consumption (MWh)	82,000	122,000	180,000	267,000	395,000

² See Report at http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/North_of_Dryden/OPA-technical-report-2014-08-21.pdf (pp. 46-47).

In June 2015, PricewaterhouseCoopers completed an updated feasibility analysis for connecting the 16 remote communities that are currently planning to connect to the Applicant's proposed Transmission System and which are Participating First Nations. This analysis concluded that developing and operating the proposed Transmission System to connect the 16 remote communities would result in a net present value of approximately \$1B relative to continued diesel generation during the 2021-2060 planning horizon. PricewaterhouseCoopers used the following load forecasts based on data provided by the IESO.

	Forecast Peak Load for the 16 Project Communities				
	2014	2024	2034	2044	2054
Peak Load (MW)	12.1	18.0	26.6	39.4	58.3
Energy Consumption (MWh)	55,669	82,812	122,580	181,449	268,589

Additional load could potentially come from 6 additional remote communities (1 in the Red Lake subsystem and 5 in the Ring of Fire subsystem), as well as from industrial load near the Ring of Fire, which could be connected to the proposed Transmission System. The feasibility of connecting these additional loads has not been assessed. However, the Applicant will consider the needs of future customers in designing its proposed Transmission System. Based on data from the IESO, the following is the forecast for this additional load.

	Forecast Peak Load for 6 Additional Communities and Ring of Fire Industrial Load				
	2014	2024	2034	2044	2054
Peak Load (MW)	7.5	33.7	9.9	14.7	21.7
Energy Consumption (MWh)	43,123	231,810	45,543	67,416	99,792

At a system level, the IESO's January 27, 2015 *North of Dryden Integrated Regional Resource Plan* (the "IRRP")³ identifies the total forecasted loads on the existing subsystems in the North of Dryden sub-region. With respect to historical demand in the North of Dryden sub-region, the IRRP notes that peak demand in the sub-region has been growing by approximately 1.9% since 2004. This accounts only for the Pickle Lake and Red Lake subsystems and does not account for the Ring of Fire subsystem or remote community demand. From 2004 to 2012, annual demand growth has averaged 1.6% within the Red Lake subsystem and 2.6% within the Pickle Lake subsystem.

³ See pages 34-44 of the IRRP, which is available at http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/North_of_Dryden/North-Dryden-Report-2015-01-27.pdf

Based on broad consultations and analysis, the IRRP identifies several demand forecast scenarios for the North of Dryden subsystems. The IESO refers to these demand forecast scenarios as the Reference Scenario, the Low Scenario and the High Scenario. The scenarios are largely based on different assumptions about the number of mining and other projects that will be completed within certain timeframes, having regard to their potential environmental impacts and current stage of development.

For the five year period from 2015-2020, the IESO forecasts net demand in the Red Lake subsystem increasing from 83 MW to 100 MW (Reference Scenario), to 94 MW (Low Scenario) or to 118 MW (High Scenario). For the Pickle Lake subsystem over this same period, the IESO forecasts net demand increasing from 35 MW to 46 MW (Reference Scenario), to 40 MW (Low Scenario) or to 53 MW (High Scenario). For the Ring of Fire subsystem over this period, the IESO forecasts net demand increasing from 3 MW to 26 MW (Reference Scenario), to 4 MW (Low Scenario) or to 66 MW (High Scenario).

The IRRP goes on to find that the North of Dryden system currently has a load meeting capability of 85 MW, with 24 MW allocated to the Pickle Lake subsystem and 61 MW allocated to the Red Lake subsystem. On this basis, the IESO found that the area has reached its capacity limit and that for new customer load to be connected and served in any of the subsystems, additional supply capacity is required. The IESO found that while there is some need for additional capacity in each of the subsystems in the near term, the majority of forecast demand growth is expected in the medium-term period between 2019 and 2023. The Applicant's proposed Transmission System would provide such additional capacity.

Annual Pro Forma Financial Statements

The Applicant's annual *pro forma* financial statements including forecast costs, revenues and project financing for the 2015-2020 period are provided in **Schedule 'E'**. Please note that these *pro forma* statements are preliminary in nature in that they are based on pre-engineering cost estimates and are being provided solely for the purposes of this Application.

The current Project development budget for amounts incurred up to Phase Two leave to construct approval is \$54.5M. In addition, the estimated construction cost for Phase One is approximately \$200M and the estimated construction cost for Phase Two is approximately \$1.15B, for a total of \$1.35B (\$2015).

Estimates of Cash Flows and Plans to Seek OEB Approval for Rates

Over the next 5 years of the Project, the development and construction phases will require cash inflows. As discussed in Part 12 above, the Applicant intends to finance the Project at specific project development milestones. As discussed in Part 16, the Applicant will file an initial rate application in anticipation of the Phase One facilities coming into service. A subsequent rate application would be filed in anticipation of the Phase Two facilities coming into service. Please also see the pro forma financial statements at Schedule 'E'.

SCHEDULE 'E'
***PRO FORMA* FINANCIAL STATEMENTS**

[Filed in accordance with the Board's *Practice Direction on Confidential Filings*]