

**OEB Staff Interrogatories
Wataynikaneyap Transmission Project
Wataynikaneyap Power LP (WPLP)
Request for Deferral Account
EB-2016-0262
November 28, 2016**

There are no intervenors and no issues list for this proceeding. Board staff's interrogatories are grouped and provided in the following topic areas. Some areas overlap.

- Important Dates
- Costs
- Funding
- Start-up/Formation Costs/Wind-up Costs
- Audit
- Reporting Requirements
- Board Objectives
- Significant Risks and Unbudgeted Costs
- Pikangikum
- Engagement and Consultation
- Audit and Accounting Matters

Important Dates

Staff-1

Ref: Exh. 2, p.3

Preamble: WPLP states that, "The development activities that commenced in September 2008 contributed to the Province formally recognizing the Project as a priority in the 2010 Long-Term Energy Plan."

- a) Please provide a timeline in tabular format starting with the earliest discussions with respect to transmission development in Northern Ontario through to the current development work that has been completed, that lists the nature of work and/or discussions undertaken, the associated costs, and who participated. Please do so by populating the table below, adding rows or columns as necessary

Date(s)	Nature of work and/or discussions	Associated costs	Participants

- b) Are there activities associated with the project incurred before September 2008 for which WPLP is not seeking recovery? If so, please provide rationale. Are there activities associated with the project after September 2008 for which WPLP is not seeking recovery? For these costs, if any, provide reasons that inclusion in a deferral account for recovery is not being sought.
- c) Please provide the reasons why development activities commenced in September 2008, and/or why WPLP has chosen this date as a start of eventual recovery of development costs through regulated rates. Please explain how the principle of causation would have applied at that time when there was not yet a formal announcement regarding the development of transmission in the North of Dryden area.
- d) The OEB exercises its ratemaking authority on a prospective basis. Under traditional regulatory rate-making principles, costs incurred before the effective date of a deferral account are not normally considered recoverable because it may be considered a form of retroactive or retrospective ratemaking. Please provide any further information which might suggest that the nature of certain costs warrant a departure from prospective ratemaking and that costs should be tracked in a deferral account and considered for recovery in a future proceeding.

Costs

Staff-2

Ref: Filing Requirements for Electricity Transmission Applications, Chapter 4, Section 4.3.2.12, p.12

- a) How has WPLP financed the cost of development and other activities to date?
- b) As is discussed in greater detail at the reference above, please describe how the amounts requested have a significant influence on the operation of the transmitter, and why these costs cannot be expensed in the normal course.
- c) If the OEB were to deny the deferral account in full or in part, what course of action would WPLP pursue? For instance, would WPLP seek to recover the development costs associated with the project through another process or through the leave to construct application?

Staff-3

Ref 1: Exh. 6, Tab B, p1

Ref 2: Exh. 6, p.1

Ref 3: IESO Report, Recommended Scope for the new Line to Pickle Lake and Supported Scope for the Remotes Connection Project, dated October 13, 2016

WPLP provides a summary of the forecast development budget at Ref 1. Board staff has attempted to populate these costs in the table at the following page. Please adjust this table as necessary, and populate and/or add rows in order to complete the table.

For purposes of materiality, for each of the cost categories and others that may apply, please separate out any items which exceed \$385,000 (0.5% of \$77M).

Project cost category	Budget as stated in Application	Incurred through November 30, 2016	Percentage spent through November 30, 2016 (%)	Percentage spent to LTC filing date (forecast)	Budget, total project
Interconnection Studies	<i>No information</i>				
Design engineering work and engineering procurement construction (EPC) contracting	\$20M				
Aboriginal engagement and land rights acquisition	\$18M				
Environmental assessments	\$10M				
Regulatory approvals	<i>No information</i>				
Project management	\$8M				
Administration	<i>No information</i>				
Formation of CCEG	\$7M*				
Formation of Wataynikaneyap Power Corporation	<i>Part of \$7M above</i>				
Formation of Wataynikaneyap Power LP with Fortis Ontario / RES Canada	<i>Part of \$7M above</i>				
Regulatory	<i>Part of \$14M</i>				
Legal	<i>Part of \$14M</i>				
Non-aboriginal stakeholder engagement and land rights acquisition	<i>Part of \$14M</i>				
Contingency	<i>Part of \$14M</i>				
Other costs ... [add rows as necessary]	<i>Part of \$14M</i>				
Total	\$77M		?		?

**all formation costs*

- a) What is the estimated percentage of overall project costs that will have been incurred for project development prior to the approval of the Leave-to-Construct application?
- b) With respect to Ref 3, are there any changes to development costs as a result of the:
 - a. The IESO's recommended scope for the new line to Pickle Lake?
 - b. The IESO's supported scope of the remotes connection project?
 - c. The reporting requirements suggested by the IESO, filed quarterly, beginning effective December 1, 2016?
- c) Contingency:
 - a. How did WPLP determine the contingency amount? Please explain why this amount is appropriate, with reference to best practices and past transmission projects, where appropriate.
 - b. Does this contingency apply for any and all cost categories?
 - c. Does this contingency amount cover all unexpected delays or unbudgeted amounts? If no, please provide further details.
 - d. Does WPLP consider an extension to the development period a contingency cost? How would an extension to the development period impact project development costs?
- d) Please provide cost information above in a spreadsheet in excel format if available in a form which WPLP readily has available.

Staff-4

Ref: Exh. 6, Tab B, p1

With reference to the table prepared at IR Staff-3, please complete the following table.

Project cost category	Prior to September 2008	Between October 2008 and prior to October 23, 2010 (LTEP 1)	Between October 23 and prior to licence application, September 8, 2015	Between October September 9, 2015 and August 26, 2016	Between August 27, 2016 to present*	Total
Ex: Interconnection Studies						

Total						

**please indicate cut-off date being used*

Staff-5

Ref: Exh. 6, Tab B, p.1

- a) Please indicate if the \$77 million for development costs is inclusive of the entirety of budgeted development costs for the duration of the project.
- b) If not, with respect to "further development costs" not included in the \$77 million estimate, please provide a budget estimate for these costs and a confidence interval.
- c) Provide the percentage of development costs noted in this application vs. true total development costs for the project, as well as the percentage of total development costs as a percentage of total project costs. Please compare the development costs for this project to other projects led by Fortis and RES Canada. Comment on any deviation for development cost percentages of the total project for this project as compared with prior projects led by Fortis and RES Canada.

Staff-6

Ref: Exh. 6, p.1

WPLP indicates that costs are included but not limited to those indicated in the bulleted list at the reference above. In consideration of risks related to the project, please provide a table outlining a list of other costs that might be incurred under certain circumstances. Provide an estimate of the amount of these costs, the nature, the circumstances that could give rise, and the risk of these costs being incurred.

Other cost	Nature of the cost	Circumstance giving rise to cost	Risk
...

Funding

Staff-7

Ref: Exh. 6, Tab B, p.1

At paragraph 2, WPLP states that, "It is expected that some portion of the development budget will be funded by government."

- a) Please provide an estimate of the portion of the development budget that will be funded by government.
- b) Does WPLP intend to finance any portion of the project from debt or equity sources outside of Canada?
- c) Please provide details of any funding applied for, received, or for which WPLP has the intention to apply for in respect of overall project costs, including Provincial or Federal Government programs and other sources, citing program names where applicable. Provide relevant dates and any notable conditions. Please also note if this funding would serve to offset the costs otherwise sought to be tracked and recovered through the deferral account.
- d) Where funding has not yet been received, provide an indication of the development budget which WPLP reasonably expects will be funded by government. If any part of this information is unavailable, or is dependent on a response from government, please provide any indication of timing that has been provided by the provincial and/or federal governments. Where it may assist the Board, please provide details in a summary tabular form.

Staff-8

Ref 1: Exh. 6, Tab B, p.1

Ref 2: IESO, Energy Partnerships Program

Preamble: The IESO states that its Energy Partnerships Program (EPP) promotes broad participation in Ontario's energy sector by providing funding support to Indigenous communities, co-operatives, municipalities and public sector entities to develop energy projects.

- a) Has WPLP applied, received, or intend to apply to receive funding through the IESO's Energy Partnerships Program?
- b) Where applicable, please provide specific information with respect to which streams, the nature of the costs that the program offsets, and the overall envelope funding.
- c) Please describe if this funding would serve to offset the costs otherwise sought to be tracked and recovered through the deferral account.

Start-up/Formation Costs/Wind-up Costs

Staff-9

Ref 1: Exh 6, Tab B, p.1

- a) On what basis does WPLP seek to recover start-up/formation costs for CCEG, Wataynikaneyap Power Corporation, and the WPLP partnership? Are there other regulatory instances where start-up costs have been allowed for consideration of future recovery in rates? Are there any unique structures employed which may eventually result in benefits to transmission ratepayers? How were these activities funded?
- b) How should the OEB distinguish between activities, based on their nature, which might be recoverable versus those costs that should not when they are undertaken well in advance of any formal indication or regulatory approval to pursue work?
- c) Please explain why the approach to consultation taken by WPLP would have been more cost-efficient than waiting for the project to be identified in LTEP, or waiting for the project to be designated as a Priority Project and then starting consultation.
- d) Aside from recording in a deferral account and recovering through rates, are there other avenues by which WPLP could seek recovery of these costs, e.g. from the provincial or federal government or relevant agencies?
- e) Please break out "formation costs" into constituent costs such as legal costs, consultation and engagement costs, travel, and any categories which WPLP feel may be material for the purpose of establishing eligibility to be tracked in a deferral account.
- f) Please describe the circumstances under which WPLP may have to abandon the project.
- g) Please provide a budget estimate for wind-up costs citing dates attached on the basis of project milestones where necessary.
- h) Is WPLP seeking approval to track and record wind-up costs in the deferral account, should it be necessary to incur such costs?

Reporting Requirements

Staff-10

Ref 1: Exh 7, p1

Ref 2: IESO Recommended Scope for the new Line to Pickle Lake and Supported Scope for the Remotes Connection Project, dated October 13, 2016

The IESO Report above suggested the following inform Board reporting requirements:

1. Overall project progress: An executive summary of work progress, cost and schedule status, and any emerging issues/risks and proposed mitigation.
2. Cost: An up-to-date overall project cost forecast, as well as a description of the reasons for any projected variances relative to the last cost forecast provided, and any mitigating measures.
3. Schedule: An up-to-date schedule to project in-service, as well as the milestones completed and the status of milestones in-progress. For milestones that are delayed

relative to the last schedule provided, the reasons for the delay, the magnitude and impact of the delay in terms of the development schedule and cost, and any mitigating steps that have or will be taken to complete the task.

4. Risks and Issues Log: An assessment of the risks and issues, potential impact on schedule, cost or scope, as well as potential options for mitigating or eliminating the risks or issues.

- a) Please provide any additional reporting information requirements which WPLP believes would be useful, and comment on any reporting requirements that WPLP does not believe should be included.

At Ref 1, WPLP has requested that it begin reporting "...after the final decision and order in this Application is made". In contrast, the IESO has indicated that WPLP should begin reporting "no more than 3 months from the issuance of its amended transmission licence and ending when a leave to construct decision is issued". WPLP received its amended transmission licence on September 1, 2016.

- b) The IESO contemplates reporting commencing on December 1, 2016. Would WPLP be able to begin filing a quarterly report on December 1, 2016 if the OEB were to adopt the IESO's recommendations regarding filing requirements on an interim basis, pending a final decision with respect to WPLP's immediate application? If no, please provide an indication when WPLP might be able to file a first report. (Taking into account that reporting requirements flowing from a decision in the immediate application may add or subtract requirements from reporting requirements after the decision in this application is issued.)
- c) Discuss the effort and cost that would be associated with producing the reporting which the IESO discusses, as replicated above.
- d) If it becomes clear that the project will not proceed, when will WPLP inform the OEB, cease further development work, and inform the OEB of any wind-up costs? Does WPLP believe that an obligation to notify the OEB if the project will not proceed could be an appropriate additional reporting requirement?

Board Objectives

Staff-11

Ref: Exh. 2, p.4

- a) What measures does WPLP intend to implement to keep track of continuous improvement and cost efficiencies with respect to the project?

Significant Risks and Unbudgeted Costs

Staff-12

Ref: Exh. 7, p.1

- a) What does WPLP see as the most significant risks to its application?
- b) If a third-party were to object to the line, would this create a project delay? Could this result in additional costs? If so, would WPLP seek to record such additional costs in the deferral account for consideration for future recovery?
- c) Please provide details as to how WPLP has limited potential risks and costs to the projects with respect to Aboriginal consultation, and how the OEB can be assured that consultation efforts have been conducted in the most cost-efficient manner possible. Please discuss consultation, engagement, or commercial efforts (or agreements, or negotiations) undertaken by WPLP with respect to the proposed route and the crossing of lands considered traditional territories of other First Nations, with particular consideration for those First Nations which are not part of the 22 named First Nations communities that form a part of the WPLP limited partnership.

Pikangikum

Staff-13

Ref: Exh. 4, p.1-2

Preamble: The transmission line from north of Red Lake to Pikangikum First Nation is part of the Phase 2 project to connect remote communities. WPLP also indicates that it intends to seek a distribution licence in respect of the 115kV transmission line running from north of Red Lake to Pikangikum First Nation that will be operated at distribution voltage. WPLP also states that, "As this segment has been the subject of prior development efforts by various parties, a significant portion of the planning, design, engineering and permitting has already been completed on the basis of it being solely a distribution line to serve Pikangikum."

- a) Please provide further details on the reasons for this project sequencing, with particular reference to the economic case to connect other remote communities, and any other relevant information.
- b) With respect to the distribution licence, please provide details regarding WPLP's plans to provide service to the Pikangikum First Nation once this line is completed, how these rates will be structured and recovered, how and who will maintain the line, and details of wholesale supply arrangements.
- c) Does WPLP intend to file a Leave to Construct application under section 92 of the OEB Act, separate from the new line to Pickle Lake, for the 115kV line to connect Pikangikum?

- d) Does WPLP intend to include in its application for a distribution licence, a request to the OEB under section 84 of the OEB Act to deem these 115kV assets as distribution assets?
- e) Does WPLP intend to file an application under section 84 of the OEB Act to deem these 115kV assets as distribution assets?
- f) How long does WPLP plan to hold a distribution licence with respect to the line from Red Lake to Pikangikum?
- g) Could WPLP confirm that intends to track costs of this Phase 2 project separately from the line to Pickle Lake in Account No. 1508.002?
- h) With respect to “prior development efforts”,
 - a. Please provide an indication of what percentage of development costs (planning, design, engineering and permitting, etc.) has already been completed versus an overall expected cost for this portion of the line from Red Lake to Pikangikum.
 - b. Would these prior development efforts reduce the costs that one would otherwise expect to be incurred in pre-construction activities?
 - c. Did the previously completed development work contemplate installation of a 115kV conductor?

Engagement and Consultation

Staff-14

Ref: Exh. 3, p.2

Ref: Exh. 6, Tab B, p.1

- a) Please provide a list of regulators and governmental authorities with which WPLP has had discussions.
- b) WPLP indicates that it has had discussions regarding connection to the Wataynikaneyap Power Project with at least one other First Nation community that is not a part of the 16 remote communities designated for connection in WPLP’s transmission licence. Please provide additional information on consultation efforts with this community, the costs incurred, and if this community is considered by the government or IESO to be economically-efficient to connect.
- c) To the extent possible, breakout the costs of ‘consultation and engagement’ included as part of the development costs with respect to the following:
 - a. Consultation with 16 First Nations named in the Directive
 - b. The 17th community not named in the Directive
 - c. The 6 First Nation partners of WPLP not named in the Directive
 - d. The additional 13 First Nation communities not named in the Directive or partners in WPLP. For these other 13 First Nation communities, provide an indication if they are on or along the route of the proposed line to Pickle Lake, or on or along the route of the proposed lines north of Red Lake and Pickle Lake for the purposes of Environmental Assessment or discharge of the Duty to Consult.

Audit and Accounting Matters

Staff-15

Ref: Exh. 2, p.1

- a) What financial reporting standards does WPLP follow - IFRS, ASPE, USGAAP, or other? If other, please describe.
- b) Based on the financial reporting standards followed, has WPLP assessed whether the development costs that have been incurred to date, and the costs which it forecasts will be incurred could be capitalized to the Wataynikaneyap Transmission Project? If yes, then in the context of the account standard used, please explain the rationale for concluding that these costs should not be capitalized to the project.
- c) Does the standard followed allow flexibility for alternate treatment, i.e. either Capitalize or Expense? If yes, please describe how.

Staff-16

Ref: Exh. 2, p.1

- a) Please provide a diagram of the legal ownership structure of WPLP, including all relevant parents, partnerships and corporate interests.
- b) How are accounting records currently being kept at WPLP?
- c) Is there a requirement to produce annual audited financial statements of WPLP? If yes, were the financial results of WPLP audited covering any or all of the periods dating back to September 2008? If yes, please provide details of the periods covered.
- d) Please provide a copy of these audited financial statements.
- e) If the Board approves the deferral account, as part of the draft accounting order, can you please also provide the anticipated journal entries that will be required upon disposition of the proposed deferral and variance account?