

January 24, 2017

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 - Application for Accounting Order to Establish
Deferral Account (EB-2016-0262) – Applicant Responses to Supplemental
Interrogatories**

On behalf of the applicant in the above-referenced proceeding, and in accordance with the Board's Procedural Order No. 2, please find enclosed the applicant's responses to supplemental interrogatories from Board Staff.

Please note that a portion of the applicant's response to IR Staff – S5(b) is being filed in accordance with the Board's *Practice Direction on Confidential Filings*. In particular, one paragraph has been redacted from the public record. This paragraph contains information relating to the terms of payment for services from one or more vendors. The terms under which such services have been or will be provided specify that such information is and should be treated as confidential. The information is therefore considered by WPLP to be commercially sensitive, is expected to be treated as confidential by one or more third parties, and its disclosure on the public record could adversely impact such third part(ies) and the applicant's relationship(s) with them.

The public versions of WPLP's responses have been filed on RESS. Hard copies of the public version, as well as the confidential pages, are being provided by courier to the Board.

Yours truly,



Jonathan Myers

Enclosure

cc: Ms. Margaret Kenequanash, WPLP
Mr. Jerry Vaninetti, WPLP
Mr. Tim Lavoie, WPLP
Mr. Charles Keizer, Torys LLP

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S1

Topic: Structure and Definition of the Deferral Account

Reference: Ref 1: EB-2011-0140, Decision, dated September 26, 2013

Ref 2: Application, Exhibit 6, page 1

Ref 3: IR Staff-7(c)

Preamble: In its decision dated September 26, 2013 in the EB-2011-0140 proceeding (East-West Tie) the OEB approved a deferral account for the designated transmitter that included sub-accounts for categories of costs.

Request:

- a) In response to IR Staff-7(c), WPLP provided a table outlining funding received in respect of the project. Please refile the draft accounting order to provide for:
- (i) For accounts 1508.001 and 1508.002: sub-accounts for each category of work set out in the bulleted list at Exhibit 6, page 1 of the application. For the cost category in the last bullet, "Aboriginal participation, including formation of the Applicant and predecessor", please separate the costs related to the formation of the Applicant and predecessor organizations from the general category of Aboriginal participation.
 - (ii) the following additional accounts:
 - Account 1508.004 – Funding received in respect of the Line to Pickle Lake
 - Account 1508.005 – Funding received in respect of Remote Connections

Response:

In WPLP's view, the more granular sub-account listing at Reference 1 (i.e. the sub-accounts approved in respect of the East-West Tie project) would generally be appropriate for WPLP. In fact, that break-down of sub-accounts formed the basis for WPLP's reply to IR Staff-3, as illustrated in the table below.

WPLP has proposed sub-account 14 (see listing below) to address the Board's request to separate the costs relating to formation of the Applicant and its predecessor organizations.

Accounts 1508.004 and 1508.005 have been included to record funding received by WPLP and its predecessors.

A copy of the revised draft accounting order is provided in **Appendix ‘A’**

Project Cost Category (Per IR Staff-3)	Proposed WPLP Sub-Account	Equivalent Sub-Account from East-West Tie
Engineering, design, and procurement	1	1
Permitting	2	2
Environmental assessments	3	3
Non-Aboriginal land rights acquisition and landowner engagement	4	4
Aboriginal engagement and communication	5	5
Non-Aboriginal community and other Stakeholder engagement costs	6	6
Regulatory activities and filings, and legal support	7	7
Interconnection Studies	8	8
Accounting, administration, and project management	9	9
Aboriginal land related costs	10	10
Aboriginal participation, training, and local distribution planning	11	11
Contingency costs incurred in excess of budgeted costs	12	12
Development activities not reflected in other sub-accounts	13	13
Start-up costs (partnership formation)	14	N/A

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S2

Topic: Reporting

Reference: Ref 1: IR Staff-3
Ref 2: IR Staff-10(c)
Ref 3: Application, Exhibit 6, page 1

Preamble: -

Request:

- a) As part of its reporting to the OEB on the development budget, does WPLP anticipate any difficulty in providing cost information divided into the categories of costs set out at the bulleted list at Ref 3 (Exhibit 6, page 1)?
- b) As part of its reporting to the OEB on the development budget, does WPLP anticipate any difficulty in separating the cost amounts for Phase 1 and Phase 2 of the Project?
- c) Please confirm that as part of its reporting to the OEB, WPLP will report on funding applied for, funding received, and any prescribed restrictions on that funding for each quarter.

Response:

- a) As noted in response to IR Staff-S1, WPLP proposes a more granular level of tracking in 14 sub-accounts. WPLP anticipates being able to report on costs incurred by sub-account and notes that the breakdown of the sub-accounts is similar to the items included in the bulleted list at Ref 3.
- b) To the extent that certain costs are specific to either the Line to Pickle Lake, or to the Remote Connections, these would be tracked in Account 1508.001 and Account 1508.002, respectively. To the extent that costs relate to the overall Project, WPLP would allocate those costs between the 1508.001 and 1508.002 accounts, and describe the basis for such allocations as part of its reporting to the OEB. WPLP clarifies that the proposed Project is not being implemented in phases but, rather, as a single project. The Line to Pickle Lake will not proceed without the Remote Connections, nor will the Remote Connections proceed without the Line to Pickle Lake. Accordingly, it would not be appropriate to report separately on the costs of the Line to Pickle Lake and the costs of the Remote Connection lines as distinct phases.
- c) Confirmed.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF – S3

Topic: First Nations

Reference: Ref 1: IR Staff-3

Ref 2: IR Staff-10: Appendix A, Memorandum of Understanding, November 28, 2016

Preamble: -

Request:

When did the duty to consult obligation delegated by the Ministry commence, and is it ongoing, or is consultation complete? If complete, when was it completed? If ongoing, is there a planned date for completion?

Response:

The Government of Ontario (the “Crown”) has a constitutional duty to consult and accommodate Aboriginal communities in relation to this Project. While the legal duty to consult falls on the Crown, the Crown may delegate procedural aspects of consultation to project proponents.

By letter dated February 13, 2013, the Ministry of Energy delegated the procedural aspects of consultation to Wataynikaneyap Power in respect of the portion of the Project comprising the Line to Pickle Lake. The letter, a copy of which is provided in **Appendix ‘B’**, identifies the particular Aboriginal communities to be consulted. The letter notes that it is the Ministry’s practice to execute a Memorandum of Understanding (“MOU”) on Aboriginal consultation with proponents of major transmission lines but that, since there was at the time more than one proponent seeking approval for a transmission line to Pickle Lake, the Ministry chose to delegate the procedural aspects of consultation by letter and that it may request a formal MOU be executed in future.

As indicated in response to IR Staff-12(c), delegation of the procedural aspects of consultation was formalized through an MOU dated November 28, 2016. The MOU, a copy of which was included as Appendix B to WPLP’s responses to Board Staff interrogatories, expanded the scope of its delegation of the procedural aspects of consultation relative to the February 13, 2013 letter so as to cover all components of the Project, including the Remote Connection Lines and the Pikangikum electricity line. The MOU identifies the specific communities and organizations that WPLP is required to consult with for each component of the Project.

Importantly, in the Ministry's covering letter to the MOU, the Ministry:

- confirmed that the consultations previously undertaken in the course of fulfilling environmental assessment requirements assists in fulfilling the duty to consult for the Project;
- acknowledges WPLP's information regarding its environmental Terms of Reference, which included a Record of Aboriginal Engagement and was submitted to MOECC in November 2014 and approved in February 2015;
- acknowledges that consultations with First Nation communities in respect of the Project have been taking place since 2008; and
- acknowledges that the Central Corridor Energy Group (one of WPLP's predecessors) began relationship-building through engagement activities prior to starting the environmental assessment for the Line to Pickle Lake component of the Project in June 2011.

Based on the foregoing, while the procedural aspects of the Crown's duty to consult were delegated on February 13, 2013 in respect of the Line to Pickle Lake and on November 28, 2016 in respect of the remaining aspects of the Project, the Ministry has recognized that consultation activities by WPLP (including its predecessors) with First Nation communities have been ongoing since 2008.

The procedural obligations in respect of the duty to consult, as delegated by the Ministry, are ongoing. At this time, no determination has been made by the Crown or communicated to WPLP as to when the procedural aspects of the duty delegated to WPLP would be complete and no decision has been made by the Crown and WPLP as to when the delegation of the procedural aspects of the duty will terminate. Though these aspects will be determined by the Crown, it is WPLP's assumption that its obligations will continue at least until the completion of construction or the in-service date for the planned transmission facilities.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S4

Topic: First Nations

Reference: IR Staff-13

Preamble: -

Request:

- (a) Please provide an update to the Red Lake to Pikangikum section of the project. Has construction begun on that portion of the project? If yes, what are the construction costs to date? If not, when is construction anticipated to begin?
- (b) With respect to page 3, lines 17-19, and page 4, lines 22-26 of the response to Staff-13:
 - (i) Has WPLP included in the \$77 million estimate of development costs advanced in the application, development costs for the distribution line from Red Lake that is intended to provide distribution service to Pikangikum for a period of approximately 3-4 years? If WPLP has included such costs, what is the total associated amount?

Response:

- (a) Engagement, engineering, impact assessments, permitting, environmental assessment, and community LDC-readiness activities are all currently underway for the Red Lake to Pikangikum section of the Project. Construction is expected to begin in Q3 2017.
- (b) The development costs for the distribution line from Red Lake to Pikangikum have not been included in the \$77 million estimate. To date, development costs have been 100% funded through an INAC Minor Capital funding stream in order to expedite grid-connection of Pikangikum as a stand-alone project. As a result, development costs and funding have been tracked separately from the overall WPLP Project.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S5

Topic: Funding

Reference: IR Staff-7

Preamble: -

Request:

- a) Does WPLP expect to apply for, and receive similar amounts in future years for any of the funding programs listed in the table? (e.g. strategic partnerships initiative, build Canada fund, remote electrification readiness program, energy partnerships program, etc.)
- b) Over the years, several parties have provided financial assistance to WPLP and its predecessors companies:
 - a. On what basis was this funding provided?
 - b. Were there any restrictions placed on the use of the funds?
 - c. Were there specific activities that were funded?
 - d. Was there any expectation of repayment?

Response:

- a) To the extent that WPLP is entitled to apply for any such funding programs, it would expect to do so.
- b) As noted in response to Staff – 2(a), the cost of development to date has been financed through First Nation LP and Fortis-RES LP contributions, and First Nation LP contributions have been partially supported by government grants and industry contributions. Staff’s question refers to several parties having provided financial assistance to WPLP and its predecessors. WPLP considers there to be three types of financial assistance received to date, as follows.

First, financial assistance has been received through government programs, as described in response to Staff – 7(c). Generally, the basis for such funding from government programs has been to advance development of the Project and/or to facilitate First Nations ownership of the

Project. To the extent that these sources of funding were in relation to specific activities, those activities would be described in the individual funding agreements. For example:

- the INAC Strategic Partnerships Initiative is intended to fund Aboriginal engagement and communication costs, non-Aboriginal community and other stakeholder engagement costs, accounting, administration and project management costs, Aboriginal participation costs and local distribution planning costs;
- the INAC Build Canada Fund program is intended to fund Aboriginal engagement and communication costs;
- the Ministry of Indigenous Relations and Reconciliation's Remote Electrification Readiness Program is intended to fund Aboriginal participation costs; and
- the IESO's Education & Capacity Building Program is intended to fund Aboriginal participation costs.

There is no expectation of repayment for financial assistance received from any of these sources.

Second, financial assistance was received by WPLP's predecessor, Wataynikaneyap Power, from Goldcorp Inc., Canadian a gold producer with mining operations in northwestern Ontario. The first 13 of the Participating First Nations partnered with Goldcorp to establish Wataynikaneyap Power in March 2013. The 13 First Nations jointly owned 50% of the company and Goldcorp owned the other 50%. In its press release announcing this partnership, Goldcorp noted that its Musselwhite Mine is one of the customers currently serviced by a transmission line that is over 70 years old and which cannot meet the reliability and capacity needs of the region. Goldcorp entered into the partnership in an effort to advance project development and facilitate First Nations ownership until a long-term transmitter partner could be secured for the Project. Goldcorp exited the project in early 2015, just prior to the formation of the partnership between Wataynikaneyap Power, FortisOntario and RES Canada. As a condition of Goldcorp's exit from the Project, as specified in a Promissory Note entered into by the relevant parties, if the Project is successful and Goldcorp's financial contribution to development of the Project is ultimately determined to be recoverable through transmission rates, then Goldcorp's prior contributions will be used to offset any future requirements for a capital contribution from Goldcorp in its capacity as a customer or else will be repaid by WPLP to Goldcorp over time. If Goldcorp's financial contribution is ultimately found not to be recoverable through rates, then WPLP will not be required to repay the amounts to Goldcorp.

Third,





WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S6

Topic: Timing

Reference: IR Staff-9

Preamble: -

Request:

- (a) What prompted the start of the development work? How was the project defined in September 2008?
- (b) Who authorized the start of the development work and what scope and cost of development work was authorized before this application was filed?
- (c) Please explain how the costs incurred to-date have been documented and reviewed.
- (d) Please provide reasons why WPLP and its predecessor companies did not apply for a deferral account or otherwise inform the OEB before the development work was started.

Response:

- (a) See responses to IR Staff – 1(c) and IR Staff – S7 for descriptions of what prompted the start of development work. See response to IR Staff – S7 for a description of how the project was defined in September 2008, with particular reference to the Tribal Council Resolutions that established the Central Corridor Energy Group (“CCEG”) at that time.
- (b) As discussed in response to IR Staff – S7, the start of development work was authorized by the Chiefs of the First Nations comprising two Tribal Councils – the Shibogama First Nations Council and the Windigo First Nations Council. The scope and cost of development work authorized prior to the present application having been filed has evolved since development work was first authorized by the Tribal Councils. This evolution has been the result of ongoing technical analysis, routing assessment, environmental review, consultations and engagement, including the participation of additional remote communities in the Project. However, the fundamental objectives of reinforcing supply to Pickle Lake and connecting remote First Nation communities in northwestern Ontario to the provincial grid through the development of transmission lines, with First Nations ownership, has remained constant. The evolution of the Project and its scope is described in detail in response to IR Staff – S7.

(c) From the outset of the Project in September 2008, until the formation of WPLP in August 2015, all Project costs were documented and managed by the Shibogama First Nations Council on behalf of the relevant entity then responsible for the Project. This includes:

- the period from September 2008 to December 2012 during which the Project was being pursued through CCEG,
- the period from December 2012 to April 2013 during which the Project was being pursued through a newly created First Nations Holding Company,
- the period between April 2013 and April 2015 during which the Project was being pursued through Wataynikaneyap Power Corp. (the shareholders of which were the First Nations Holding Company and Goldcorp), and
- the period of April 2015 to August 2015 during which the Project was being pursued through Wataynikaneyap Power Corp. (the sole shareholder of which was the First Nations Holding Company).

Throughout the period from September 2008 to August 2015, during which Project costs were documented and managed by the Shibogama First Nations Council, the costs were subject to review through annual audits of the Shibogama First Nations Council prepared by Holukoff Chiarella Chartered Professional Accountants, a Winnipeg-based accounting firm. We note that, effective October 1, 2016, Holukoff Chiarella merged with the national accounting firm of MNP LLP.

Since the formation of WPLP, the costs of the Project have been documented and managed by a newly created project management company formed by Fortis and RES, known as Fortis-RES PM Inc. The Project costs managed by the project manager will be reviewed through annual audits. As described in response to IR Staff – 16(d), WPLP anticipates having audited financial statements for both 2015 and 2016 available by the end of Q2 2017.

(d) The focus for WPLP and its predecessors in the years prior to this application has been on defining the project, carrying out consultations and engagement, securing Aboriginal participation, confirming economic feasibility, furthering development, pursuing funding, determining regulatory requirements, building organizational capacity and resources, and related activities. WPLP and its predecessors have taken a thoughtful, measured and incremental approach to development. In so doing, WPLP considered that if it sought a deferral account too early in the development process, the Board may not have accepted that there was a clear basis on which it would be able to consider the application or approve establishment of the account, particularly before WPLP had a transmission licence and, given the condition of the transmission licence ultimately issued (which required some form of designation to be effective), before the Orders in Council and Directive were issued.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S7

Topic: Timing

Reference: Directive from the Minister of Energy dated July 20, 2016

Preamble: -

Request:

- a) Was there any earlier public written indication from the Minister of Energy, the OPA / IESO or any agency of the Ontario government, that WPLP would be selected or required to develop the Project?

Response:

a) The July 20, 2016 Orders in Council, through which the Province declared the Project to be a “priority project” and approved a Directive from the Minister requiring the Board to amend WPLP’s electricity transmission licence, represent the formal selection of WPLP as the party responsible for developing the Project. Prior to the legislative amendments enabling the foregoing to take effect, the Province did not have a clear mechanism through which it could formally select or require WPLP to develop the Project. Notwithstanding that a formal selection process was lacking, WPLP and its predecessors were recognized by the Ministry, IESO and then OPA as playing a fundamental role in supporting the assessment and determination of the need for the Project by the Minister of Energy, the OPA and the IESO and ultimately the lead proponent in the years prior to WPLP’s formal selection.

Understanding the role that WPLP and its predecessors have played provides important context that will assist the Board in understanding the Project and the efforts made by the Applicant and the Province, including its agencies, to move it forward. The following provides a detailed description of the historical basis for the Project and key developments in this regard.

Pre-Project History

Since 1990, a group of 10 First Nations from northwestern Ontario has been working together in various forms and through various entities in an effort to address the significant energy challenges facing their communities. First, a group known as the Severn River Coalition was formed in 1990 to consider a third party developer's plans for hydroelectric generation and at that time started to consider and identify common goals in respect of electricity, including transmission. A Resource Development Gathering Accord was signed by these communities in

2001 to establish guiding principles for the coalition of First Nation communities on energy and transmission development. This working group evolved into the Kitchenuhmaykoosib Ojijakoosuk Omajjiweenehawah Alliance, also known as G10. The G10 communities established a protocol and an agreement on how the participating communities would work together on energy issues and ownership. Several unsuccessful proposals and funding applications were made during 2003 and 2004.

In 2005, the Province of Ontario announced that it was negotiating a power purchase agreement with Manitoba, which would result in the need for transmission through the First Nation communities. A Chief's Steering Committee and working group were formed to consider this project, which was known as the Clean Energy Transfer Initiative ("CETI"). Work plans were created and expert reports were commissioned, but the provinces did not conclude an agreement and the CETI project failed to proceed.

In October 2007, at a meeting between the First Nations and Goldcorp, the First Nations became aware of a desire on the part of Goldcorp to secure additional electricity supply for its Musselwhite Mine. The Chiefs of the First Nations, together with Goldcorp, determined that energy is, and should be pursued as, a regional issue. On January 17, 2008 Goldcorp did a presentation to the First Nations at a Regional Energy Resource Meeting on its electricity requirements for the Musselwhite Mine. The parties commenced discussions on energy. On February 1, 2008, a meeting was held with representatives of the OPA, Hydro One, Goldcorp, the Shibogama First Nations Council and the Windigo First Nations Council to discuss energy development, the partnership, the need for increased supply to Pickle Lake, IPSP planning, the CETI project, impacts on First Nations and the role of Hydro One.

Further Regional Energy Resource Meetings were held throughout the spring of 2008 involving the Shibogama and Windigo First Nation Councils, Goldcorp, Indian and Northern Affairs Canada ("INAC") and a number of other First Nations (Bearskin Lake, Cat Lake, Wawakapewin, Wapekeka, North Caribou Lake, Mishkeegogamang, Wunnumin Lake, Kingfisher Lake and Muskrat Dam). A small amount of preliminary funding (approximately \$15,000) was received from INAC to support this series of meetings and related activities.

A presentation was made at the Regional Energy Resource Meeting on May 8, 2008 by Margaret Kenequanash and Frank McKay on behalf of the group's steering committee and with assistance from a development consultant (Edward Hoshizaki), proposing the formation of a First Nations Central Corridor Energy Group. Consideration was given to the group's objectives, working groups, preparation of a feasibility study, formation of a corporate entity, business planning, regulatory requirements, community support and government support. Regional Energy Resource Meetings continued through the summer of 2008 during which these aspects continued to be considered.

Commencement of the Project

In September 2008, agreement was reached among the First Nations on a partnership approach to pursuing transmission connection and on the formation of the Central Corridor Energy Group

("CCEG"). Resolutions were passed by the Shibogama First Nations Council and the Windigo First Nations Council expressing support for this initiative. The Resolutions, which established the CCEG, were formally executed in mid-October 2008. These two Tribal Councils are comprised of the Chiefs from a total of 12 First Nations.

The Resolutions committed each of the Tribal Councils and their member First Nations to work in partnership with one another, and to work towards a partnership with Goldcorp, with the objectives of pursuing the construction of transmission lines from Valora to Pickle Lake, from Pickle Lake to the Musselwhite Mine, and then from the Musselwhite Mine to the remote First Nation communities represented by the Tribal Councils. Ultimately, the objective was to provide reliable and affordable electricity for residents and businesses in the remote communities. The Resolutions also committed the First Nations to making financial contributions to the partnership and authorized the Windigo First Nations Council to apply for INAC economic development funding to support this initiative. An application for \$90,000 of funding was submitted to INAC to support a feasibility study for the First Nations ownership of transmission facilities. In addition, the First Nations agreed to contribute \$24,000. Significantly for the present application, it was at this point, as noted in response to IR Staff - S6, that the Shibogama First Nations Council began to formally record and document expenditures made in connection with the Project. Copies of the Resolutions are provided in **Appendix 'C'**.

IPSP-related Developments

In parallel with the aforementioned activities, it is relevant to note that on August 29, 2007 the OPA filed its first Integrated Power System Plan with the OEB (EB-2007-0707). The IPSP did not plan for the connection of remote First Nation communities in northwestern Ontario but, instead, dismissed these areas as locations with no transmission capacity, where the OPA would not accept applications for supply projects under its standard offer program. For a discussion of the deficiencies of the IPSP in this regard, please see the Intervenor Evidence filed by the Nishnawbe Aski Nation ("NAN") in the IPSP proceeding on August 1, 2008.¹

In response to issues such as those raised by NAN, on September 17, 2008 the Minister of Energy issued a directive requiring the OPA to more fully address certain aspects in its IPSP. Importantly, one area that the Minister required further consideration of was "the improvement of transmission capacity in 'orange zones' in northern Ontario . . ." In addition, the Minister asked the OPA to "undertake an enhanced process of consultation with First Nations and Metis communities . . . and that the principle of Aboriginal partnership opportunities be considered in matters of both generation and transmission." The "orange zones" referred to the areas designated by the OPA in the IPSP as locations with no transmission capacity where it would not accept applications for supply projects under its standard offer program. The directive was included in connection with WPLP's response to IR Staff-1(c).

¹http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/73866/view/NAN_EVD_20080801.PDF (See discussion commencing at p. 17)

Early Development of the Project

On November 13, 2008, the CCEG made a formal presentation to the Minister of Northern Development and Mines, Michael Gravelle, about its willingness to partner, terms of reference for a feasibility study for a transmission company, communications protocols and its objective of connecting remote First Nations communities to the grid through a First Nations owned company.

On December 9, 2008, CCEG met with Goldcorp and key staff from the office of the Minister of Energy, George Smitherman, to discuss similar energy issues and concerns. CCEG met directly with Minister Smitherman on December 15, 2008 and, several days later, on December 18, 2008, CCEG received approval from INAC for its \$90,000 funding request.

On February 3, 2009, a meeting was held with representatives of the Shibogama First Nations Council, the Windigo First Nations Council, NAN, Minister Smitherman and representatives of the OPA and Hydro One. The Minister appointed Hydro One to oversee a working group. Hydro One presented its technical report on April 30, 2009. The report considered two transmission reinforcement concepts – Concept ‘A’ from Ignace to Pickle Lake and, in anticipation of a new generation facility at Little Jackfish, Concept ‘B’ from Little Jackfish to Pickle Lake. The report noted that Circuit E1C, which serves Pickle Lake, has the worst performance record in the system (66 interruptions totaling 95 hours over 3 years), is over 70 years old, and has high losses and does not have sufficient capacity to serve forecast load. Hydro One found that both concepts would meet the identified needs, but expressed a preference for Concept ‘B’. It is WPLP’s understanding that Hydro One engaged in unsuccessful discussions with First Nations in the area that would be affected by Concept ‘B’, after which that project was abandoned by Hydro One and the Province. This led to further consideration by CCEG of transmission and routing options similar to and building upon Concept ‘A’.

Further meetings continued throughout 2009, including on April 22, 2009 with the OPA, NAN and representatives of CCEG. A Resolution of the Independent First Nations Alliance on November 6, 2009 resulted in two additional communities joining the Project - Muskrat Dam First Nation and Kitchenuhmaykoosib Inninuwug First Nation.

In 2010, the Province abandoned the IPSP process and issued its first Long-term Energy Plan (“LTEP”). In the 2010 LTEP the Province declared that it considered the Line to Pickle Lake to be a priority project and indicated its intention to ask the OPA to develop a plan for remote connections beyond Pickle Lake.² Following up on that intention, in a February 17, 2011 Directive the Minister of Energy asked the OPA to develop a plan for remote community connections beyond Pickle Lake.³

Key developments in 2011 included the CCEG Chiefs passing a Resolution to expand the mandate of the Steering Committee to authorize them to work towards preparing an agreement

² http://www.powerauthority.on.ca/sites/default/files/page/MEI_LTEP_en_0.pdf

³ http://www.powerauthority.on.ca/sites/default/files/new_files/IPSP%20directive%2020110217.pdf

with Goldcorp, broadening the project scope to include the transmission line south of Pickle Lake and authorizing work on developing the Terms of Reference for CCEG. The CCEG Chiefs also directed, by Resolution, continued engagement efforts with First Nations and development of a communications strategy. In late 2011, Lac Seul First Nation and Slate Falls First Nation joined the project and the CCEG Chiefs directed that steps be taken towards establishing Wataynikaneyap Power as a transmission company.

In September 2012, CCEG and Goldcorp jointly commenced the environmental assessment process for the Line to Pickle Lake.⁴ Wataynikaneyap Power was established as a corporation by 13 of the First Nations from CCEG and Goldcorp in April 2013.⁵

Later that year, in the 2013 LTEP, the Province declared not only that it still considered the Line to Pickle Lake to be a priority project, but also that it considered connecting remote communities in northwest Ontario to be a priority.⁶

In the OPA's *North of Dryden Draft Reference Integrated Regional Resource Plan*, dated August 16, 2013,⁷ the OPA notes its understanding that "near-term actions for implementing a new line to Pickle Lake have been initiated by two proponents . . . Wataynikaneyap Power LP and Sagatay Transmission LP." The report also notes that the OPA consulted with CCEG/Wataynikaneyap Power in various meetings from 2011-2013 and with Sagatay in various meetings from 2012-2013.

It is important to note that although the Government in the 2013 LTEP considered it a priority to both develop the Line to Pickle Lake and connect remote communities in northwest Ontario, of the two proponents recognized by the OPA in the above-noted report only WPLP contemplated a project that would connect remote communities in northwest Ontario. WPLP understands that the Sagatay project has only contemplated a line ending in Pickle Lake.

In the 2014 *Draft Remote Communities Connection Plan*, prepared by the OPA in consultation with remote First Nation communities, there are several express references to WPLP.⁸ In particular, the report notes that WPLP is working to connect communities within the Pickle Lake and Red Lake subsystems and that it has developed transmission line routing, which the OPA used as the basis for the analysis in the *Draft Remote Communities Connection Plan*. In addition, the report references a Project Benefits Study dated June 2013 that was prepared for WPLP and at WPLP's cost by its consultant, Lumos Energy.

⁴ <http://wataypower.ca/node/29>

⁵ <http://wataypower.ca/node/183>

⁶ http://www.energy.gov.on.ca/en/files/2014/10/LTEP_2013_English_WEB.pdf

⁷ http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/North_of_Dryden/North-of-DrydenReportDraft-2013-08-16.pdf

⁸ http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/Remote_Community/OPA-technical-report-2014-08-21.pdf

Key Recent Developments

In 2015, there were several important developments. First, approval was granted by the Minister of Environment and Climate Change for WPLP's Amended Terms of Reference for the environmental assessment of the Line to Pickle Lake.⁹ Second, the OEB granted WPLP its electricity transmission licence on November 19, 2015 (ET-2015-0264). Third, on August 27, 2015 the Energy Minister, Bob Chiarelli, attended a signing ceremony for the formation of the partnership between Wataynikaneyap Power and Fortis-RES and issued a formal news release in connection with his attendance at that event.¹⁰ Also, on September 16, 2015 Minister Chiarelli delivered a speech to a major industry conference put on by the Ontario Energy Association. In his speech, the Minister commented on his attendance at the WPLP signing ceremony and went on to speak passionately and at some length about the importance of the Project, as follows:

In July, along with our partners in Manitoba, Quebec, Newfoundland & Labrador, the Northwest Territories and the Yukon, Ontario announced 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.

And just a few short weeks ago, Wataynikaneyap Power, a partnership of 20 First Nation communities, and RES-Fortis signed an unprecedented public/private partnership to connect remote First Nation communities, a project in excess of one billion dollars. We've long recognized the value of this project to northwestern Ontario's remote communities by committing to it in our Long-Term Energy Plan.

In fact, to suggest that the grid connection of Ontario's remote, north west First Nation communities is a "priority" may be too weak a term.

In 2015, in a country as prosperous as ours, we should acknowledge that tens of thousands of individuals and families not being connected to the transmission and distribution grid – is totally unacceptable.

In 2015, when members of these communities go to turn on a light switch, it should not be met with the persistent din of a dirty diesel generator.

And that an on-site diesel generator represents a denigration of quality of life and the environment.

⁹ <http://wataypower.ca/node/206>

¹⁰ <https://news.ontario.ca/mei/en/2015/08/new-agreement-marks-step-forward-in-connecting-first-nation-communities-to-the-electricity-grid.html>

Simply put, the lack of reliable, grid connected transmission and distribution networks for these communities limits both economic and social development priorities.

That's why, Ontario has listed this project as a "priority" in our Long-Term Energy Plan; and is working with First Nations to implement it.

Reducing or eliminating high-cost diesel use in remote First Nation communities will make a real difference for people, would reduce harmful emissions, strengthen local economies, and create well-paying jobs – all key elements in improving quality of life for communities.

What's more – analysis shows that grid connecting these remote communities just makes economic sense. Through analysis by the Independent Electricity System Operator (IESO), it has been estimated that up to \$1 billion in savings would be generated as a result of transmission grid connection - by eliminating reliance on diesel generation for these 21 remote First Nation communities.¹¹

As demonstrated by the foregoing, while the Orders in Council and Directive had the effect of formally selecting or requiring WPLP to develop the Project as of July 20, 2016, the evolution of the Project's development, the ongoing consultations between government agencies and WPLP, the fact that there have been no other proponents seeking to develop the Project, which as a whole includes both the line to Pickle Lake and the connection of remote communities. The Minister of Energy's words and actions throughout this process have provided strong indications long before the Orders in Council that WPLP would ultimately be selected or required to develop the Project once appropriate legislative mechanisms to do so were established.

¹¹http://www.energyontario.ca/images/ENERGYCONFERENCE15/Remarks_and_Presentations/Minister_Chiarelli_Remarks_-_Check_Against_Delivery_-_ENERGYCONFERENCE15_-_16.09.15.pdf (emphasis added)

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S8

Topic: Costs

Reference: IR Staff-4

Preamble: WPLP provided a breakdown of development costs by time period at the reference above.

Request:

- a) Please provide the release date for the 2013 LTEP referred to in the Orders in Council filed in this proceeding
- b) Please provide a further breakdown of the fourth column of the table into two periods: from October 23, 2010 to the release date of 2013 LTEP, and from the release date of 2013 LTEP to September 8, 2015.

Response:

- a) The 2013 LTEP was released on December 2, 2013.¹
- b) The requested breakdown is provided in the table below. WPLP notes many of these costs were tracked through promissory notes spanning several months, and that the transition dates between successive promissory notes do not align with the requested cut-off date of the 2013 LTEP. In order to provide the requested breakdown, WPLP has pro-rated the costs of these promissory notes on a monthly basis for the period covered by each relevant promissory note.

¹ <https://news.ontario.ca/mei/en/2013/11/ontario-releases-long-term-energy-plan.html>

Project cost category	Between October 23, 2010 and prior to licence application, September 8, 2015	Between October 23, 2010 and November 2013	Between December 2013 and September 8, 2015
Engineering, design, and procurement	\$1,665,298	\$1,018,109	\$647,189
Permitting and licensing	\$0	\$0	\$0
Environmental assessments	\$3,077,218	\$2,220,726	\$855,468
Non-Aboriginal land rights acquisition and landowner engagement	\$40,000	\$0	\$40,000
Aboriginal engagement and communication	\$1,457,010	\$761,853	\$695,158
Non-Aboriginal community and other stakeholder engagement costs	\$708,917	\$133,454	\$575,463
Regulatory activities and filings, and legal support	\$457,022	\$263,743	\$193,279
Interconnection studies	\$0	\$0	\$0
Accounting, administration, and project management	\$4,089,839	\$2,540,807	\$1,443,458
Aboriginal land-related costs	\$0	\$0	\$0
Aboriginal participation, training, mitigation of project impact, and local distribution planning	\$980,004	\$536,072	\$443,932
Contingency costs incurred in excess of budgeted costs	\$0	\$0	\$0
Development activities not reflected in other sub-accounts	\$471,716	\$330,969	\$140,747
Start-up costs (partnership formation)	\$2,713,133	\$1,444,635	\$358,216
Total	\$15,660,155	\$9,250,367	\$5,392,911

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S9

Topic: Other

Reference: IR Staff-16(d), Appendix D

Preamble: -

Request:

Please update the ownership structure chart found at this reference. Does the change to the ownership structure of WPLP materially affect any aspect of this application?

Response:

WPLP assumes that the “change to the ownership structure of WPLP” noted in Staff’s question is in reference to a recent public announcement that, through its parent company Fortis Inc., FortisOntario Inc. has agreed to increase its share of the ownership of Wataynikaneyap Power LP by acquiring the interests of Renewable Energy Systems (RES) Canada Inc. in WPLP (including its general partner). Completion of the transaction is conditional on Board approval for one particular aspect of the reorganization. As indicated in correspondence filed by WPLP in the present proceeding on January 20, 2017, FortisOntario filed an application on January 18, 2017 for approval under s. 86(2)(b) of the *Ontario Energy Board Act* in connection with this one aspect of the reorganization. As noted in the letter, as well as in the s. 86(2)(b) application, the proposed transaction does not materially affect the present application and will have no adverse impacts on the ongoing development or future operation of the Project. A copy of the updated ownership structure chart, reflecting the proposed transaction, is provided in **Appendix ‘D’**.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S10

Topic: Other

Reference: Ref 1: Application, Exhibit 6, page 4, lines 26 – 29

Ref 2: IR Staff-2(c)

Preamble: -

Request:

Is WPLP asking the OEB to find, as part of this application, that WPLP's prudently incurred development costs and reasonable wind-up costs will be recovered from transmission ratepayers if the project does not proceed to completion as a result of circumstances beyond WPLP's control?

Response:

WPLP does not believe that it would be appropriate to ask the Board to find, in the present application, that WPLP's prudently incurred development costs and reasonable wind-up costs will be recovered from transmission ratepayers if the Project does not proceed to completion as a result of circumstances beyond WPLP's control. However, if approval to establish the proposed deferral account is granted, it is WPLP's understanding and expectation that the effect of doing so would be that WPLP would have the right to record its development costs and if such circumstances were to arise, WPLP would apply to the Board for an order determining that such prudently incurred development costs and reasonable wind-up costs are recoverable from transmission ratepayers. However, if the Board finds that it would be appropriate to make such a finding in the present proceeding, then WPLP asks that the Board do so. WPLP recognizes that the right to record costs is not a guarantee of recovery of said costs.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S11

Topic: Other

Reference: IR Staff-1(d)

Preamble: WPLP emphasizes that it is asking the OEB at this time to “preserve the opportunity” that WPLP could recover development costs incurred back to September, 2008. WPLP states that the OEB will be in a better position to assess the recoverability of those amounts at the time that WPLP asks to dispose of the amounts in the proposed account.

Request:

- a) Please briefly describe what evidence will be available at the time of disposition that is not available now that will allow the OEB to better assess the appropriate starting date from which costs can be recorded (as opposed to the prudence of the costs).

Response:

- a) WPLP does not believe that there will be any evidence available at the time of disposition that is not available now which would allow the OEB to better assess the appropriate starting date from which costs can be recorded. In WPLP’s view, the Board should in the present proceeding determine the appropriate starting date from which costs can be recorded. At the time that WPLP asks to dispose of the amounts in the proposed account, it is expected that the Board will consider the prudence of all costs that have been recorded in the account commencing from the start date as determined in the present proceeding.

The statement in IR Staff-1(d), that “WPLP is asking in the present application only that the Board preserve the possibility that WPLP could ultimately recover those amounts (back to September 2008) through transmission rates”, was not intended to suggest that the Board should revisit the question of the appropriate starting date at the time of disposition. Rather, it was intended to acknowledge that, if the Board accepts the proposed starting date of September 2008 for recording amounts in the account, recovery of amounts back to September 2008 would not be a certainty because such recovery would be subject to prudence review at the time of disposition.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S12

Topic: Other

Reference: Ref 1: IR Staff-9

Ref 2: EB-2015-0026, Decision, dated December 29, 2015

Preamble: WPLP has listed several similarities between the application of B2M LP to recover start-up costs (EB-2015-0026) and WPLP's request to record start-up costs incurred before the application for a deferral account was made. The finding of the OEB in the B2M case emphasized the monetary benefit to be provided to ratepayers as a result of the ownership structure of B2M. In its decision the OEB stated:

However, the basis for the prohibition against retrospective ratemaking is not present in the current situation. To the contrary, it is a situation where the tax benefits from the ownership structure of B2M LP will benefit the same ratepayers that pay the transaction costs required to create that ownership structure. There is no mismatch between payors and beneficiaries. (p.18)

Request:

- a) Please describe any monetary benefit to ratepayers that will result from the costs incurred prior to the filing of this application.

Response:

- a) There are three key ways in which ratepayers will receive monetary benefits from the costs incurred by WPLP and its predecessor organizations prior to filing the application.

First, as a result of WPLP's corporate structure, all utility profits will flow to the limited partners in proportion to their level of ownership interests in the limited partnership. As a result, 51% of WPLP's profits will flow to the First Nations partners, and will therefore be non-taxable under Section 149 of the *Income Tax Act*. The overall income tax amount that WPLP intends to recover through transmission rates will therefore reflect only 49% of the income taxes that would

otherwise be included in rates in respect of a fully taxable entity. This benefit is similar to the benefit recognized by the Board in EB-2015-0026. WPLP's corporate structure is a key outcome from the extensive Aboriginal engagement, participation and development work carried out by WPLP its predecessors prior to the application being filed.

Second, the IESO has determined that grid-connection of the Remote Communities north of Pickle Lake and north of Red Lake would result in significant net economic benefits as compared to status quo diesel generation. By significantly advancing the Project through development work carried out and costs incurred prior to filing the present application, including with respect to environmental assessment and Aboriginal engagement, WPLP and its predecessors have moved ratepayers closer to being able to realize the corresponding economic benefits of grid-connecting the Remote Communities. More particularly, the OPA/IESO found that Ontario Ratepayers currently fund approximately 34.5% of the total annual cost of diesel generation in the remote communities through RRRP subsidies.¹ The same report found that the Average Total Cost of Supply to 2054 is lowest for the Transmission Connection option, at \$0.40 to \$0.50 per kWh. This compares to a cost of \$1.10 to \$1.20 per kWh for the status-quo diesel option.² It therefore follows that investment in the project will result in a net benefit to Ontario Ratepayers through reduced RRRP subsidies.³ In addition, some of the development work by WPLP's predecessors was noted as having contributed in a material way to the OPA/IESO study on the economic case for connecting Remote Communities.^{4,5}

Third, a significant part of the development work carried out prior to the application being filed has been in respect of Aboriginal engagement and participation. This work has resulted in a Project that is being developed by a unique partnership in which a controlling interest is held by a group of 22 First Nations (including all First Nations that will be connected to the grid through the Project) and a minority interest is held by an experienced transmission developer and operator. As a result of this structure and the high level of Aboriginal engagement and participation in the Project, the applicant reasonably expects the remainder of the development process to have significantly less risk and less uncertainty than it otherwise would. When contrasted with circumstances in which a transmission developer, seeking to develop an equivalent project, has to commence Aboriginal engagement activities and work towards mutually acceptable arrangements for Aboriginal participation (as well as routing and project design matters) with an equivalent number of affected First Nation communities subsequent to having obtained a development costs deferral account, it is likely that the approach taken by

¹ http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/Remote_Community/OPA-technical-report-2014-08-21.pdf (Pages 6-7)

² Ibid. (Table 4, Page 24)

³ Ibid. (Table 6, Page 38)

⁴ Ibid. – Pages 67 and 81 indicate that the IESO used Wataynikaneyap's routing configuration in its analysis

⁵ In 2012, the OPA makes reference to routing and line configuration options studied by CCEG (a predecessor to WPLP), being considered in their analysis - http://www.ieso.ca/Documents/Regional-Planning/Northwest_Ontario/Remote_Community/2012-Draft-Remote-Community-Connection-Plan.pdf (Page 56)

WPLP would be found to result in a quicker development process and lower overall project costs.

WATAYNIKANEYAP POWER LP

Response to Supplemental Interrogatory from Board Staff

BOARD STAFF - S13

Topic: Other

Reference: IR Staff-3

Preamble: In response to Staff-3, WPLP provided a breakdown of costs incurred to budget, and costs incurred to date.

Request:

- a) While understanding that the details provided are estimated costs at this point in time, with respect to the table at Staff-3:
 - (i) Please explain whether the forecast budgets provided in the original application, as shown in column 2, have been changed to the amounts shown in column 6.
 - (ii) Please explain whether the “part of” amounts included in the table are meant to sum to the envelope dollar amount provided in the original application, or whether these envelope dollar amounts have changed from the original application.

Response:

- a) As mentioned in response to IR Staff-S1, the cost categories provided in the table in response to IR Staff-3 contain a more granular breakdown of the bulleted list at Exhibit 6 of the original application.

The “part of” amounts included in the table are meant to relate the more granular breakdown provided in the table at IR Staff-3 with the high-level budget descriptions found at Exhibit 6, Page 1, lines 19-28 of the original application.

Between the time of filing the original application and the filing of IR responses, additional effort was undertaken to classify both historical costs and future cost estimates to a more granular level of activities (i.e. consistent with the sub-accounts approved for the East-West Tie). As a result of this effort, many costs previously aggregated in the high-level estimates in the original application were allocated to multiple categories in the more granular breakdown of activities, and therefore the totals in column 6 of the table at IR Staff-3 do not reconcile to the “part of” amounts included in column 2.

APPENDIX 'A'
Draft Accounting Order

(Reference: Board Staff – S1)

DRAFT ACCOUNTING ORDER
WATAYNIKANEYAP POWER DEVELOPMENT DEFERRAL ACCOUNT

WATAYNIKANEYAP POWER LP
Accounting Entries for Wataynikaneyap Power Development
Deferral Account No. 1508

2472883 Ontario Limited, on behalf of Wataynikaneyap Power LP (“Wataynikaneyap Power”), shall establish the following deferral account: Account 1508, Other Regulatory Assets. The deferral account shall be divided into five sub-accounts:

1. Account No. 1508.001, Other Regulatory Assets: Wataynikaneyap Power Development – Line to Pickle Lake
2. Account No. 1508.002, Other Regulatory Assets: Wataynikaneyap Power Development - Remote Connections
3. Account No. 1508.003, Carrying Charges on Accounts 1508.001 and 1508.002, Other Regulatory Assets: sub-account Wataynikaneyap Power Development - Line to Pickle Lake/Remote Connections
4. Account No. 1508.004, Funding received in respect of the Line to Pickle Lake
5. Account No. 1508.005, Funding received in respect of Remote Connections

Development costs incurred for the Wataynikaneyap Power Project, in respect of the Line to Pickle Lake and the Remote Connections components of the Project, shall be recorded in these sub-accounts from the date determined by the Board up to the effective date of the initial transmission rate order for Wataynikaneyap Power, or such other time as Wataynikaneyap Power may request and the Board may order.

The amounts recorded in the above accounts shall be brought forward for disposition in a future proceeding.

Debit: Account No. 1508.001

Other Regulatory Assets: Wataynikaneyap Power Development - Line to Pickle Lake

Credit: Account No. 2205.001

Accounts Payable

OR

Debit: Account No. 1508.002

Other Regulatory Assets: Wataynikaneyap Power Development - Remote Connections

Credit: Account No. 2205.002

Accounts Payable

To record as a debit in Account 1508.001, Other Regulatory Assets: sub-account Wataynikaneyap Power Development - Line to Pickle Lake, or Account 1508.002, Other Regulatory Assets: sub-account Wataynikaneyap Power Development - Remote Connections, the costs incurred for development activities for the Wataynikaneyap Power Project. These costs are divided into the following sub-accounts:

Sub-account	Activity
1	Engineering, design and procurement
2	Permitting
3	Environmental assessments
4	Non-Aboriginal land rights acquisition and landowner engagement
5	Aboriginal engagement and communication
6	Non-Aboriginal community and other Stakeholder engagement costs
7	Regulatory activities and filings, and legal support
8	Interconnection Studies

9	Accounting, administration, and project management
10	Aboriginal land related costs
11	Aboriginal participation, training, and local distribution planning
12	Contingency costs incurred in excess of budgeted costs
13	Development activities not reflected in other sub-accounts
14	Start-up costs (partnership formation)

Debit: Account No. 1508.003

Carrying Charges on Accounts 1508.001 and 1508.002, Other Regulatory Assets:
sub-account Wataynikaneyap Power Development - Line to Pickle Lake/Remote
Connections

Credit: Account No. 4405.001

Interest and Dividend Income: Wataynikaneyap Power Development

To record carrying charges on the balance in Account 1508.001, Other Regulatory Assets: sub-account Wataynikaneyap Power Development - Line to Pickle Lake, and Account 1508.002, Other Regulatory Assets: sub-account Wataynikaneyap Power Development - Remote Connections. Simple interest will be computed monthly on the opening balance in accounts 1508.001 and 1508.002 in accordance with the methodology approved by the Board in EB-2006-0117.

Credit: Account No. 1508.004

Funding received in respect of the Line to Pickle Lake

Debit: Account No. 1508.001

Other Regulatory Assets: Wataynikaneyap Power Development - Line to Pickle
Lake

OR

Credit: Account No. 1508.005

Funding received in respect of Remote Connections

Debit: Account No. 1508.002

Other Regulatory Assets: Wataynikaneyap Power Development – Remote Connections

To record as a credit in Account 1508.004, Funding received in respect of the Line to Pickle Lake, or Account 1508.005, Funding received in respect of Remote Connections, funding applied for and received by WPLP in respect of development activities for the Wataynikaneyap Power Project.

APPENDIX 'B'

**Ministry Letter re Delegation of
Procedural Aspects of Consultation to
Wataynikaneyap Power**

(Reference: Board Staff – S3)

Ministry of Energy

900 Bay Street
5th Floor, Mowat Block
Toronto ON M7A 1C2

Tel: (416) 325-6544
Fax: (416) 325-7041

Ministère de l'Énergie

900, rue Bay
Édifice Mowat, 5^e étage
Toronto ON M7A 1C2

Tél: (416) 325-6544
Télec.: (416) 325-7041



Regulatory Affairs and Strategic Policy

February 13, 2013

Brian McLeod
Project Management Office
Central Corridor Energy Group
366 Kingston Crescent
Winnipeg, MB R2M 0T8

Adele Faubert
Aboriginal Affairs
Goldcorp Musselwhite Mine
PO Box 7500 STN P
Thunder Bay, ON P7B 6S8

Kelly Beri
Project Manager
Golder Associates Ltd.
2390 Argentia Road
Mississauga, ON L5N 5Z7

RE: Aboriginal Consultation on the Proposed Wataynikaneyap Power Pickle Lake Transmission Project

Dear Mr. McLeod and Ms. Faubert,

I understand that your company, Wataynikaneyap Power, has recently prepared a draft Terms of Reference for a proposed transmission line to Pickle Lake pursuant to the *Environmental Assessment Act*.

As you are aware, the Government of Ontario (the "Crown") has a constitutional duty to consult and accommodate Aboriginal communities when Crown project approvals may lead to an appreciable adverse impact on established or asserted Aboriginal or treaty rights. While the legal duty to consult falls on the Crown, the Crown may delegate the day-to-day, procedural aspects of consultation to project proponents. Such delegation by the Crown to proponents is routine practice for major proposed projects in Ontario's energy sector.

The Crown must satisfy itself that both the substantive aspects and the procedural aspects of consultation are completed before issuing certain regulatory approvals. The Crown may use existing regulatory processes as a vehicle for fulfilling its constitutional duty, including an environmental assessment under Part II of the *Environmental*

Assessment Act. These consultation obligations are in addition to the public and Aboriginal consultation requirements imposed under the *Environmental Assessment Act* and the Ministry of the Environment's Code of Practice for Preparing and Reviewing Terms of Reference for Environmental Assessments in Ontario.

I am writing to advise you that, on behalf of the Ontario Crown including all involved provincial ministries, the Ministry of Energy is delegating procedural consultation responsibilities to your company, Wataynikaneyap Power (the "Proponent") in respect of the proposed Pickle Lake transmission line (the "Project"). The Crown will be relying, in part, on the steps undertaken and information obtained by the Proponent to fulfill any Crown duty to consult and accommodate that arises from the Project. The Crown will fulfill the substantive aspects of consultation and retain oversight over all aspects of the process for fulfilling the Crown duty.

Please see the appendix for information on the roles and responsibilities of both the Crown and the Proponent.

List of Communities to consult

Based on the Crown's preliminary assessment of Aboriginal community rights and Project impacts, the following Aboriginal communities should be consulted on the basis that they have or may have constitutionally protected Aboriginal or treaty rights that may be adversely affected by the Project. This list is provided on behalf of the Crown including the Ministry of Energy, Ministry of the Environment, Ministry of Natural Resources, Ministry of Transportation, and the Ministry of Aboriginal Affairs:

Community	Mailing Address
Mishkeegogamang First Nation Phone: 807-928-2414 Chief: Connie Gray-McKay Consultation Contact: David Masakeyash	1 First Nation Street Mishkeegogamang, ON P0V 2H0
Ojibway Nation of Saugeen Phone: 807-928-2824 Chief: Edward Machimity	General Delivery Savant Lake, ON P0V 2S0
Wabigoon Lake Ojibway Nation Phone: 807-938-6684 Chief: Ruben Cantin	RR 1, Site 115, PO Box 300 Dryden, ON P8N 2Y4
Lac Seul First Nation Phone: 807-582-3503 Chief: Clifford Bull	PO Box 100 Hudson, ON P0V 1X0

Community	Mailing Address
Slate Falls First Nation Phone 807-737-5700 Chief: Lorraine Crane Consultation Contact: Gordon Carpenter	48 Lakeview Drive Slate Falls, ON P0V 3C0
Eagle Lake First Nation Phone: 807-755-5526 Chief: Arnold Gardner Consultation Contact: Jordan Gardner (x 232)	PO Box 1001 Migisi Sahgaigan, ON P0V 3H0
Northwest Métis Council Phone: 807-223-8082 President: Alvina Cimon	34A King Street Dryden, ON P8N 1B4 COPY: Métis Nation of Ontario 500 Old St. Patrick Street, Unit D Ottawa, ON K1N 9G4

This rights-based consultation list is based on information that is subject to change. Aboriginal communities may make new rights assertions at any time, and other developments (e.g. the discovery of Aboriginal archaeological sites) can occur that may require additional Aboriginal communities to be notified and/or consulted. If you become aware of potential rights impacts on communities that are not listed above at any stage of the consultation and approval process, kindly bring this to the attention of the Crown with any supporting information regarding the claim. The Crown will then assess whether it is necessary to include the community on the rights-based consultation list above.

Proponents should also be aware that, pursuant to the *Environmental Assessment Act*, additional communities with non-rights based interests in the Project must also be consulted. Under the proponent-driven environmental assessment process it is your responsibility as Proponent to identify and consult any such additional communities about their non-rights based interests in the project.

Memorandum of Understanding

It is the Ministry of Energy's practice to execute a Memorandum of Understanding ("MOU") on Aboriginal consultation with the proponent of a major new transmission line. The MOU expressly defines the respective roles and responsibilities of the Crown and the proponent. Since there is currently more than one proponent seeking approval for a transmission line to Pickle Lake, the Ministry of Energy is delegating procedural aspects

of consultation by letter at this time, but may request that a formal MOU be executed with the eventual developer of the Project.

Government contacts

The Ministry of Energy is assuming a coordinating role within government in relation to rights-based Aboriginal consultation on the Project. If you have questions or concerns relating to a specific ministry's mandate, you may contact any of the following ministry representatives:

MINISTRY / CONTACT	PHONE / EMAIL
Ministry of Energy Brett Smith, Senior Advisor, First Nation and Métis Policy and Partnerships Office	416-212-5416 brett.smith@ontario.ca
Ministry of the Environment Lorna Zappone, Project Officer, Environmental Assessment Branch	416-314-7106 lorna.zappone@ontario.ca
Ministry of Natural Resources John Carnochan, District Planner, Sioux Lookout District	807-737-5060 john.carnochan@ontario.ca
Ministry of Transportation Donna Bigelow, Team Leader, Aboriginal Relations Branch	416-585-7215 donna.bigelow@ontario.ca

Keewatin Lands

You should be aware that on August 16, 2011, the Ontario Superior Court of Justice released a trial decision in the case of *Keewatin et al v. Minister of Natural Resources et al* (citation 2011 ONSC 4801). This case was brought forward by members of the Grassy Narrows First Nation.

Among other things, the trial judge found that, while Ontario remains the owner of Crown lands and can undertake or authorize development, Ontario cannot validly authorize land uses in the Keewatin Area that would significantly impact the ability of Treaty 3 beneficiaries to exercise their Treaty-protected rights to hunt, fish, and trap without First Nation consent or Federal Authorization.

This decision is being brought to your attention because it appears a portion of the preferred route for the Project is planned to occur on lands within the Keewatin Area.

Ontario and other parties are in the process of appealing the trial decision, the effect of which has been suspended by a stay pending a decision from the Ontario Court of Appeal (subject to some restrictions on forestry activities within the Keewatin Area).

However, as the litigation involves a challenge to Ontario's ability to authorize land uses in the Keewatin Area, you are encouraged to obtain independent legal advice regarding any possible effect this litigation may have on your rights under the environmental assessment process.

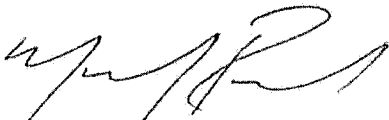
Acknowledgement

At this time, the Ministry of Energy requests the Proponent to acknowledge this Crown delegation by letter, including express acceptance by the Proponent of the within delegated procedural consultation responsibilities. If you have any questions about this request, you may contact Brett Smith (see above).

With regard to the environmental assessment process for this Project, it is the Crown's expectation that the Proponent will amend the Aboriginal Engagement Plan for the environmental assessment so it accords with this delegation letter prior to finalizing the Terms of Reference for submission to the Ministry of the Environment for approval.

If you have any questions about this letter or require any additional information please do not hesitate to contact me directly.

Sincerely,



Michael Reid
Assistant Deputy Minister, Regulatory Affairs and Strategic Policy
Ministry of Energy

c: Lorna Zappone
Ministry of the Environment

John Carnochan
Ministry of Natural Resources

Donna Bigelow
Ministry of Transportation

Ashley Johnson
Ministry of Aboriginal Affairs

APPENDIX: PROCEDURAL CONSULTATION

Roles and Responsibilities Delegated to the Proponent

On behalf of the Crown (including the Ministry of the Environment), please be advised that your responsibilities as Project Proponent for this Project include:

- providing notice and information about the Project to Aboriginal communities, with sufficient detail and at a stage in the process that allows the communities to prepare their views on the Project and, if appropriate, for changes to be made to the Project. This can include:
 - accurate, complete and plain language information including a detailed description of the nature and scope of the Project and translations into Aboriginal languages where appropriate;
 - maps of the Project location and any other affected area(s);
 - information about the potential negative effects of the Project on the environment, including their severity, geographic scope and likely duration. This can include, but is not limited to, effects on ecologically sensitive areas, water bodies, wetlands, forests or the habitat of species at risk and habitat corridors;
 - a description of other provincial or federal approvals that may be required for the Project to proceed;
 - whether the Project is on privately owned or Crown controlled land;
 - any information the proponent may have on the potential effects of the Project, including particularly any likely adverse impacts on established or asserted Aboriginal or treaty rights (e.g. hunting, fishing, trapping and the harvesting of wild plants) or on sites of cultural significance (e.g. burial grounds, archaeological sites);
 - a written request asking the Aboriginal community to provide in writing or through a face-to-face meeting:
 - any information available to them that should be considered when preparing the Project documentation;
 - any information the community may have about any potential adverse impacts on their Aboriginal or treaty rights; and
 - any suggested measures for avoiding, minimizing or mitigating potential adverse impacts;
 - identification of any mechanisms that will be applied to avoid, minimize or mitigate potential adverse impacts;

- identification of a requested timeline for response from the community and the anticipated timeline for meeting Project milestones following each notification;
- an indication of the Proponent's availability to discuss the process and provide further information about the Project;
- the Proponent's contact information; and
- any additional information that might be helpful to the community;
- following up, as necessary, with Aboriginal communities to ensure they received Project notices and information and are aware of the opportunity to comment, raise questions or concerns and identify potential adverse impacts on their established or asserted rights;
- gathering information about how the Project may adversely affect Aboriginal or treaty rights;
- bearing the reasonable costs associated with the procedural aspects of consultation (paying for meeting costs, making technical support available, etc.);
- considering reasonable requests by communities for capacity funding to assist them to participate effectively in the consultation process;
- considering and responding to comments and concerns raised by Aboriginal communities and answering questions about the Project and its potential impacts on Aboriginal or treaty rights;
- as appropriate, discussing and implementing changes to the Project in response to concerns raised by Aboriginal communities. This could include modifying the Project to avoid or minimize an impact on an Aboriginal or treaty right (e.g. altering the season when construction will occur to avoid interference with mating or migratory patterns of wildlife); and
- informing Aboriginal communities about how their concerns were taken into consideration and whether the Project proposal was altered in response.

If you are unclear about the nature of a concern raised by an Aboriginal community during the course of consultation, you should seek clarification and further details from the community, provide opportunities to listen to community concerns and discuss options, and clarify any issues that fall outside the scope of the consultation process. These steps should be taken to ensure that the consultation process is meaningful and that concerns are heard and, where possible, addressed.

A proponent can also seek guidance from the Crown at any time during the consultation process. It is recommended that you contact the Crown if you are unsure about how to deal with a concern raised by an Aboriginal community, particularly if the concern relates to a potential adverse impact on established or asserted Aboriginal or treaty rights.

The consultation process must maintain sufficient flexibility to respond to new information, and we request that you make all reasonable efforts to build positive relationships with all Aboriginal communities potentially affected by the Project. If a community is unresponsive to efforts to notify and consult, you should nonetheless make attempts to update the community on the progress of the Project, the environmental assessment and other regulatory approvals.

If the Proponent reaches a business arrangement with an Aboriginal community that may affect or relate to the Crown's duty to consult, we ask that that Crown be advised of those aspects of such arrangement that may relate to or affect the Crown's obligations, and that the community itself be apprised of the Proponent's intent to so-apprise the Crown. Whether or not any such business arrangements may be reached with any community, the Crown expects the Proponent to fulfill all of its delegated procedural consultation responsibilities to the satisfaction of the Crown.

If the Crown considers that there are outstanding issues related to consultation, the Crown may directly undertake additional consultation with Aboriginal communities, which could result in delays to the Project. The Crown reserves the right to provide further instructions or add communities throughout the consultation process.

Roles and responsibilities assumed directly by the Crown

The role of the Crown in fulfilling any duty to consult and accommodate in relation to this Project includes:

- identifying for the Proponent the Aboriginal communities to consult for the purposes of fulfillment of the Crown duty;
- carrying out, from time to time, any necessary assessment of the extent of consultation or, where appropriate, accommodation, required for the project to proceed;
- supervising the aspects of the consultation process delegated to the Proponent;
- determining in the course of Project approvals whether the consultation of Aboriginal communities was sufficient;
- determining in the course of Project approvals whether accommodation of Aboriginal communities, if required, is appropriate and sufficient.

Consultation Record

It is important to ensure that all consultation activities undertaken with Aboriginal communities are fully documented. This includes all attempts to notify or consult the community, all interactions with and feedback from the community, and all efforts to respond to community concerns. Crown regulators require a complete consultation record in order to assess whether Aboriginal consultation and any necessary

accommodation is sufficient for the Project to receive Ontario government approvals. The consultation record should include, but not be limited to, the following:

- a list of the identified Aboriginal communities to be contacted;
- evidence that notices and Project information were distributed to, and received by, the Aboriginal communities (via courier slips, follow up phone calls, etc.). Where a community has been non-responsive to multiple efforts to contact the community, a record of such multiple attempts and the responses or lack thereof.
- a written summary of consultations with Aboriginal communities and appended documentation such as copies of notices, any meeting summaries or notes including where the meeting took place and who attended, and any other correspondence (e.g., letters and electronic communications sent and received, dates and records of all phone calls);
- responses and information provided by Aboriginal communities during the consultation process. This includes information on Aboriginal or treaty rights, traditional lands, claims, or cultural heritage features and information on potential adverse impacts on such Aboriginal or treaty rights and measures for avoiding, minimizing or mitigating potential adverse impacts to those rights; and
- a summary of the rights/concerns, and potential adverse impacts on Aboriginal or treaty rights or on sites of cultural significance (e.g. burial grounds, archaeological sites), identified by Aboriginal communities; how comments or concerns were considered or addressed; and any changes to the Project as a result of consultation, such as:
 - changing the Project scope or design;
 - changing the timing of proposed activities;
 - minimizing or altering the site footprint or location of the proposed activity;
 - avoiding the Aboriginal interest;
 - environmental monitoring; and
 - other mitigation strategies.

As part of its oversight role, the Crown may, at any time during the consultation and approvals stage of the Project, request records from the Proponent relating to consultations with Aboriginal communities. Records provided to the Crown will be subject to the *Freedom of Information and Protection of Privacy Act*.

APPENDIX 'C'
Tribal Council Resolutions re
Establishment of Central Corridor
Energy Group

(Reference: Board Staff – S7)

Shibogama First Nations Council

81 King Street, P.O. Box 449
Sioux Lookout, ON P8T 1A5
Phone: (807) 737-2662 Fax: (807) 737-1583
Website: www.shibogama.on.ca

Head Office: Wunnumin Lake First Nation
Box 105, Wunnumin Lake, ON P0V 1Z0
(807) 442-2559 Fax: (807) 442-2627

SHIBOGAMA CHIEF'S RESOLUTION RESOLUTION 2008-09/49

SUPPORT FOR PARTNERSHIP IN ENERGY CONNECTIVITY AND FUNDING APPLICATION

WHEREAS: Shibogama Chiefs-in-Assembly have agreed to work in partnership with the First Nations Central Corridor Energy Group.

WHEREAS: Shibogama Chiefs-in-Assembly previously discussed and planned for specific issues relating to lands and resources, economic development, and energy.

WHEREAS: The First Nations located north of the Musselwhite Mine have identified energy as a priority and want to connect to the provincial grid to provide reliable and affordable power for the residents and businesses.

WHEREAS: The Shibogama Chiefs and other First Nations have held preliminary discussions with Musselwhite Mine, Gordcorp Canada Ltd to establish a partnership in the proposed construction of a Transmission line from Valora to Pickle Lake and to look at the option of ownership and become a transmitter.

WHEREAS: Shibogama Chiefs long term goal is to develop a central corridor that will extend from Musselwhite to their communities in order to connect to the provincial grid.

WHEREAS: Shibogama Chiefs support Windigo First Nations Council to apply for CEOP funding and identify a combined contribution of \$24,000 towards this project and Windigo First Nations Council confirms that a project status report will be prepared according to CEOP guidelines.

THEREFORE BE IT RESOLVED THAT

Shibogama Chiefs-in-Assembly agree to work in partnership with other First Nations and Musselwhite Mine, Goldcorp Canada Ltd in the proposed construction and operation of the transmission line.

FURTHER BE IT RESOLVED THAT

Shibogama Chiefs-in-Assembly will appoint a member to the proposed structure of the working group (s) immediately and mandate them to develop a terms of reference, scope of work, options for a transmission company, and finalize the communications protocol.

FURTHER BE IT RESOLVED THAT

Shibogama Chiefs-in-Assembly support a transmission company concept that will ensure control and ownership by becoming a transmitter subject to the completion of a feasibility study where the First Nations will make the final decision of their involvement.

FURTHER BE IT RESOLVED THAT

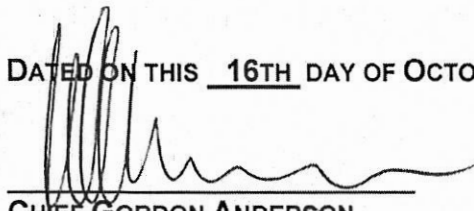
Shibogama Chiefs in collaboration with other First Nations will work towards the objective of connecting to the provincial grid to provide affordable energy to their community members.

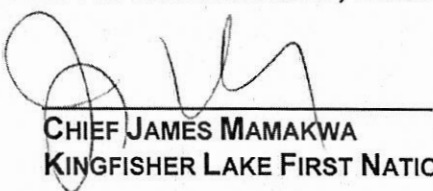
FINALLY BE IT RESOLVED THAT

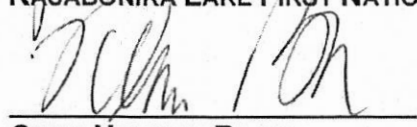
Shibogama Chiefs-in-Assembly support Windigo First Nations Council:

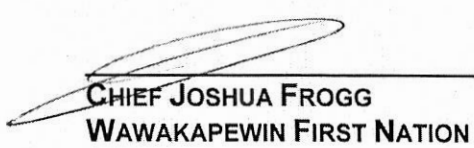
- to apply for, receive and administer INAC economic development funding,
- to prepare a project status report as required by the reporting and evaluation standards outlined in the CEOP guidelines and provide information for audits as required, and
- agree to a combined contribution of \$24,000 towards this project.

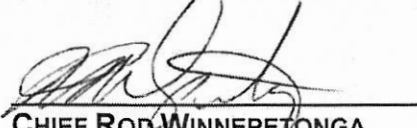
DATED ON THIS 16TH DAY OF OCTOBER 2008 IN SIOUX LOOKOUT, ONTARIO

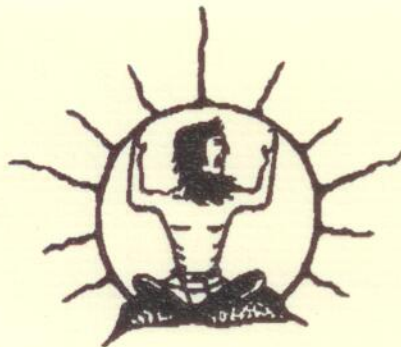

CHIEF GORDON ANDERSON
KASABONIKA LAKE FIRST NATION


CHIEF JAMES MAMAKWA
KINGFISHER LAKE FIRST NATION


CHIEF NORMAN BROWN
WAPEKEKA FIRST NATION


CHIEF JOSHUA FROGG
WAWAKAPEWIN FIRST NATION


CHIEF ROD WINNEPETONGA
WUNNUMIN LAKE FIRST NATION



Windigo First Nations Council

Main Office
Mailing Address: Box 299
Sioux Lookout, ON P8T 1A3
(807) 737-1585
Fax 737-3133

Technical Unit
Mailing Address: Box 1407
Sioux Lookout, ON P8T 1B3
(807) 737-1059
Fax 737-4075

FIRST NATIONS CENTRAL CORRIDOR ENERGY GROUP RESOLUTION 2008-09/1

SUPPORT FOR PARTNERSHIP IN ENERGY CONNECTIVITY AND FUNDING APPLICATION

WHEREAS, the First Nations previously discussed and planned for specific issues relating to lands and resources, economic development, and energy;

WHEREAS, the First Nations located north of the Musselwhite Mine have identified energy as a priority and want to connect to the provincial grid to provide reliable and affordable power for the residents and to sell power from local run of the river systems;

WHEREAS, the First Nations have held preliminary discussions with Musselwhite Mine, Gordcorp Canada Ltd to establish a partnership in the proposed construction of a transmission line from Valora to Pickle Lake and to look at the options of ownership;

WHEREAS, the First Nations long term goal is to develop a central corridor grid that will extend from Musselwhite to their communities in order to connect to the provincial grid;

WHEREAS, the First Nations support Windigo First Nations Council to apply for CEOP funding and identify a combined contribution of \$24,000 towards this project and Windigo First Nations Council confirms that a project status report will be prepared according to CEOP guidelines;

THEREFORE BE IT RESOLVED THAT

The undersigned First Nations agree to work in partnership with one another and the Musselwhite Mine, Gordcorp Canada Ltd in the proposed construction and operation of the transmission line;

FURTHER BE IT RESOLVED THAT

The undersigned First Nations will appoint a member to the proposed structure of the working group (s) immediately and mandate them to develop a terms of reference, scope of work, options for a first nation transmission company, and finalize the communications protocol;

Windigo First Nations Council

The First Nations of
Sachigo Lake, Bearskin Lake, North Caribou Lake, Cat Lake, Slate Falls, Koocheching, Whitewater Lake

FURTHER BE IT RESOLVED THAT

The undersigned First Nations support the establishment of a first nation transmission company that will ensure control and ownership by First Nations subject to the completion of the feasibility study where the First Nations will make the final decision of their involvement;

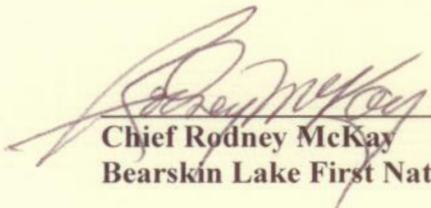
FURTHER BE IT RESOLVED THAT

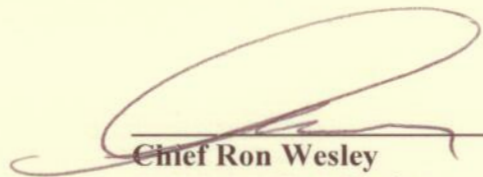
The undersigned First Nations will work towards the objective of connecting to the provincial grid to provide affordable energy to their community members,

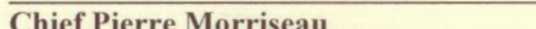
FINALLY BE IT RESOLVED THAT

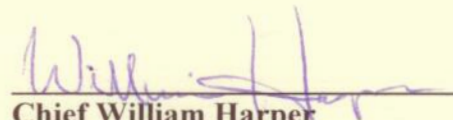
The undersigned First Nations support Windigo First Nations Council:

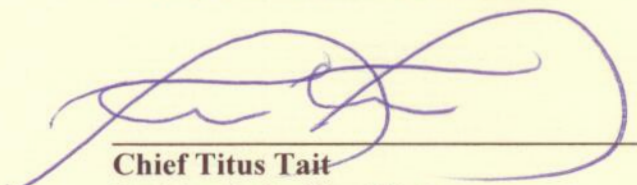
- to apply for, receive and administer INAC economic development funding,
- to prepare a project status report as required by the reporting and evaluation standards outlined in the CEOP guidelines and provide information for audits as required, and
- agree to a combined contribution of \$24,000 towards this project.

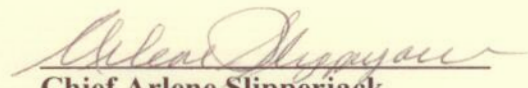


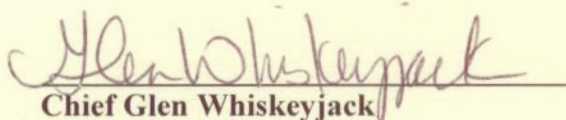
Chief Rodney McKay
Bearskin Lake First Nation

Chief Ron Wesley
Cat Lake First Nation

Chief Pierre Morriveau
North Caribou Lake First Nation

Chief William Harper
Koocheching First Nation

Chief Titus Tait
Sachigo Lake First Nation

Chief Arlene Slipperjack
Whitewater Lake First Nation

Chief Glen Whiskeyjack
Slate Falls Nation

*4 signatures represent quorum►

Windigo First Nations Council

The First Nations of

Sachigo Lake, Bearskin Lake, North Caribou Lake, Cat Lake, Slate Falls, Koocheching, Whitewater Lake

APPENDIX 'D'

Updated Ownership Structure Chart

(Reference: Board Staff – S9)

Wataynikaneyap Power LP – Ownership Structure (Proposed)

