

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. pursuant to s. 92 of the *Act* for an order or Orders granting leave to construct new transmission facilities (“Lake Superior Link”) in northwestern Ontario;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. pursuant to s. 97 of the *Act* for an Order granting approval of the forms of the agreement offered or to be offered to affected landowners.

**SUPPLEMENTARY
COMPENDIUM OF MATERIALS OF HYDRO ONE NETWORKS INC.
HEARING OF MOTION - JUNE 4, 2018**

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1	Undertaking JT1.24 in the May 7, 2018 Technical Conference

11818081.1

TAB 1

UNDERTAKING JT1.24

UNDERTAKING

TC TR 1, page 109

To provide reports Nextbridge provided to its board of directors as in Nextbridge's answer to CCC No. 10.

RESPONSE

Attached are copies of the following slides excerpted from NextBridge Infrastructure Meeting of the Board of Directors (MBD) slide decks relating to construction cost estimate information:

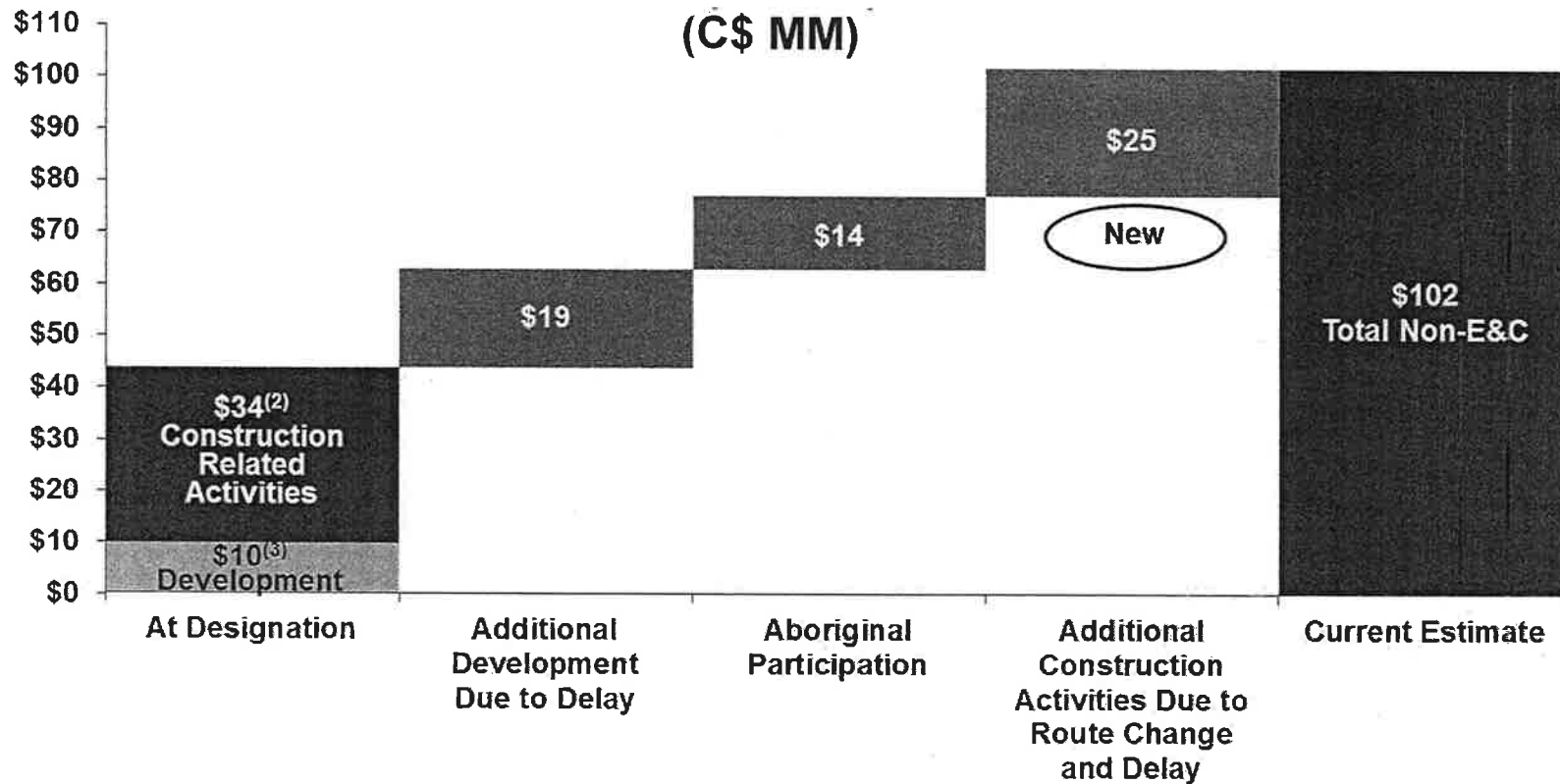
1. Slide 7 from the February 10, 2017 MBD slide deck (Attachment 1);
2. Slides 7 and 8 from the March 10, 2017 MBD slide deck (Attachment 2);
3. Slides 6, 7 and 8 from the April 14, 2017 MBD slide deck (Attachment 3);
4. Slide 5 from the May 12, 2017 MBD slide deck (Attachment 4);
5. Slides 5 and 6 from the June 9, 2017 MBD slide deck (Attachment 5);

Also attached is a redacted Unanimous Consent of Directors in Lieu of Meeting resolution dated July 31, 2017 (Attachment 6) approving a budget for the construction of the EWT Line Project.

Leave to Construct - Schedule

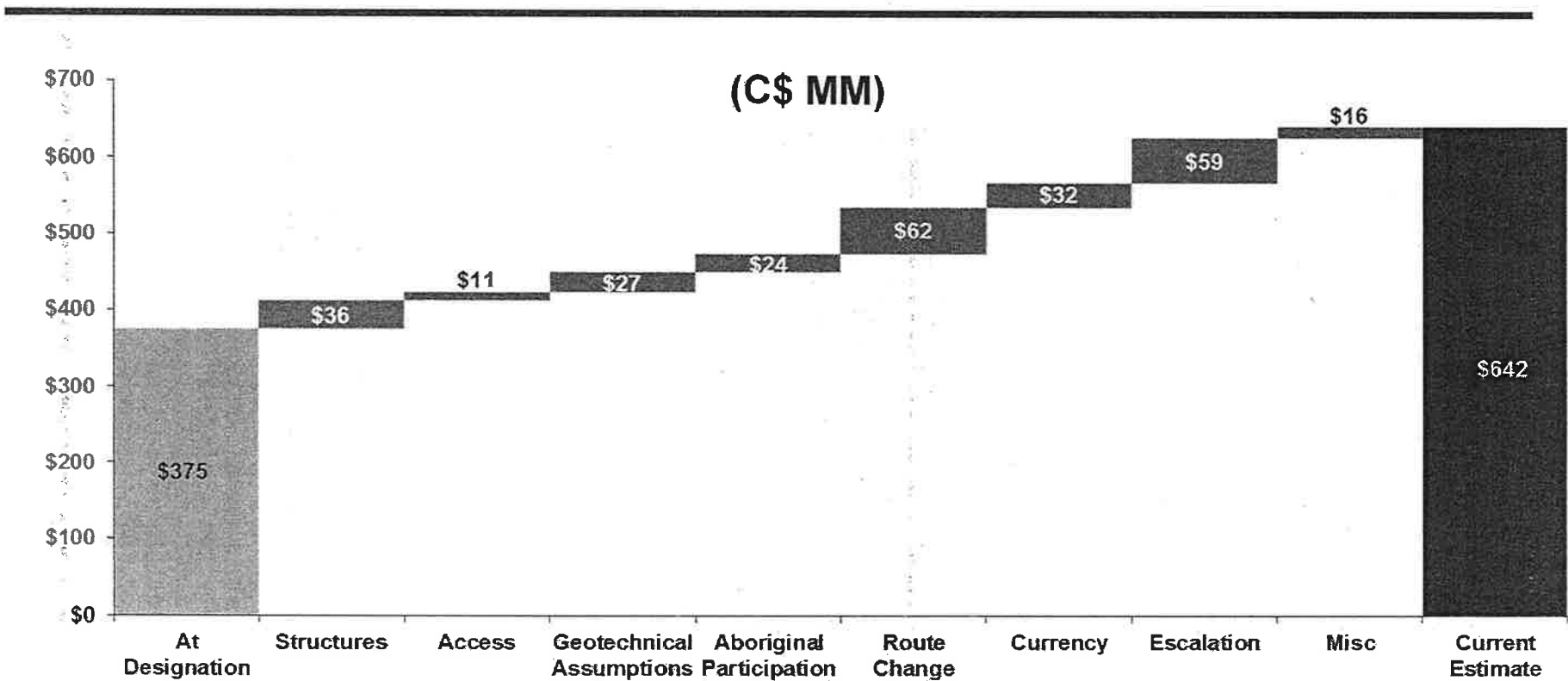
- Draft 4 is being reviewed
- Regulatory team in-person session February 15th in Toronto
 - Discussing strategy
- NextBridge Board Schedule:
 - March 10 – CapEx presentation and discussion
 - April 14 – Board confirmation of CapEx and strategy
 - May 12 – Board resolution to file the LTC
- April 14 should enable partner entities to proceed to confirmation from their respective boards

CapEx - Non-E&C Costs⁽¹⁾



- 1) Excludes AFUDC
- 2) Environmental permitting and monitoring, exercise of land rights and compensation, regulatory support for expropriation
- 3) C\$12 MM of original development expenses included in E&C budget

CapEx - E&C Costs^(1,2)



1) Original OEB filing reflected 2017 COD. New estimate reflects 2020 COD.

2) Original OEB filing reflected a 5% Material and 10% Labor contingency. P50 was 10%Material and 15% Labor.

CapEx – Total Budget

DRAFT PRIVILEGED AND CONFIDENTIAL – PREPARED IN ANTICIPATION OF LITIGATION		PROJECTED CapEx SPEND
E&C		567,016,000
Environmental and Regulatory Approvals		12,703,000
Land Rights (acquisitions or options), including consultation and negotiation with landowners		23,831,000
First Nation and Metis participation (direct and indirect costs, including impact mitigation if applicable)		12,100,000
First Nation and Metis consultation		6,611,000
Other Consultation (community, stakeholder)		2,530,000
Regulatory (Legal Support, Rate Case Filing, LTC Filing)		5,405,000
Project Management		4,901,000
Contingency		52,744,000
Site remediation (Neutral Footprint)		15,412,000
EWT Line Project rating program		500,000
AFUDC - CURRENT ESTIMATE SUBJECT TO CHANGE		25,000,000
PROJECTED DEVELOPMENT DOLLRS - SUBJECT TO CHANGE - BASED ON FEBRUARY 28, 2017 BOARD DECK		37,678,000
UNBUDGETED PTD SPEND - BASED ON FEBRUARY 28, 2017 BOARD DECK		4,058,325
AGLP program - legal fees		1,500,000
TOTAL		771,989,325

CapEx – Construction Budget ONLY

Filed: 2018-06-01, EB-2017-0182/EB-2017-0194, Exhibit JT 1.24, Attachment 3, Page 2 of 3

DRAFT PRIVILEGED AND CONFIDENTIAL – PREPARED IN ANTICIPATION OF LITIGATION				
	Estimated costs at designation	TOTALS (rounded to nearest 000s)	Difference increase/ (decrease)	Percentage increase/- decrease
Engineering, Design, and Procurement Activity	13,235,907	17,601,000	4,365,000	1.3%
Materials and Equipment	52,168,975	83,178,000	31,009,000	9.4%
Site clearing and preparation (including Roads)	52,293,201	91,484,000	39,191,000	11.8%
Construction	180,234,437	318,767,000	138,533,000	41.8%
Permitting and Licensing	193,333	0	(193,000)	-0.1%
Environmental and Regulatory Approvals	3,027,770	12,703,000	9,675,000	2.9%
Land Rights (acquisitions or options), including consultation and negotiation with landowners	17,135,214	23,831,000	6,696,000	2.0%
First Nation and Metis participation (direct and indirect costs, including impact mitigation if applicable)	0	12,100,000	12,100,000	3.6%
First Nation and Metis consultation	5,526,345	6,611,000	1,085,000	0.3%
Other Consultation (community, stakeholder)	841,040	2,530,000	1,689,000	0.5%
Site remediation (Neutral Footprint)	10,307,996	15,412,000	5,104,000	1.5%
IDC or AFUDC	0	25,000,000	25,000,000	7.5%
Contingency	35,708,360	52,744,000	17,036,000	5.1%
Other (explain in detail):				
Regulatory (Legal Support, Rate Case Filing, LTC Filing)	3,642,806	5,405,000	1,762,000	0.5%
Project Management	3,197,888	4,901,000	1,703,000	0.5%
Project Financial Rating	0	500,000	500,000	0.2%
ALGP Fees	0	1,500,000	1,500,000	0.5%
Total (in 2012 dollars)	377,513,272	674,267,000	294,755,000	88.9%
Escalation (to bring back to 2012 Dollars)	19,148,348	55,986,000	36,838,000	11.1%
	396,661,620	730,253,000	331,593,000	100.0%

CapEx

- Key drivers to cost increases:
 - Environmental permitting and inspection costs were under scoped
 - Regulatory support for LTC filing was underestimated
 - Aboriginal participation was never budgeted
 - Included in both E&C costs and Aboriginal costs
 - Structures were increased from OEB 50-year specification to 100-year after study during development period
 - Increased number of structures needed after weather study showed a need to meet the more stringent local weather requirements on the east part of the line
 - Decrease in use of less expensive guyed Y towers due to environmental and terrain constraints
 - After geotechnical investigation frequent grounding and installation of grounding arresters to meet the OEB minimum criteria is needed
 - Route change around Pukaskwa Park – additional 50km
 - Currency impact on project materials sourced outside of Canada
 - Escalation has an estimated impact of 2% and 3% on material and labor respectively from 2017 to 2020 in-service date

CapEx

- Presented CapEx to the Ministry of Energy
 - Concerned by the number and impact on Order in Council
- Engaged the government relations team to work with the Minister's Office to explain the increase
- Meeting with the IESO on Monday May 15th to inform them of the number

CapEx

- Presented CapEx to the Minister's Office Chief of Staff
- Ministry staff also in attendance
- Encouraged NextBridge to file the LTC in June

Leave to Construct

- Continuing to refine cost section numbers to produce a comprehensive data book
- Anticipated week of June 12
- Data book will be presented to partners for review prior to filing of LTC

UPPER CANADA TRANSMISSION, INC.

**UNANIMOUS CONSENT OF DIRECTORS
IN LIEU OF MEETING**

The undersigned, being all of the directors of Upper Canada Transmission, Inc., a New Brunswick corporation, and being entitled to vote on the resolutions hereinafter set forth as if the same had been submitted at a meeting of the directors duly called and held for the purpose of acting on such resolutions, do hereby consent to and adopt the following resolutions effective on the date hereof:

APPROVAL OF CONSTRUCTION PERIOD BUDGET

WHEREAS, the directors have determined that it is in the best interest of the Corporation to review and approve a budget for the construction of the EWT Project (the "Construction Period Budget").

NOW THEREFORE be it

RESOLVED, that the Construction Period Budget attached hereto as Exhibit B be, and the same hereby is, approved.

EXHIBIT B

CONSTRUCTION PERIOD BUDGET

Ontario East West Tie Project
Table 1: Total Project Budget

<u>Line</u> (a)	<u>Reference</u> (b)	<u>Description</u> (c)	<u>Total</u> (d)
1	B-2	Development Phase	\$ 40,210,585
2	C-1	Construction Phase	<u>736,970,521</u>
3		Total Project Cost	<u>\$ 777,181,106</u>