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August 30, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

Re: EB-2017-0364 – Hydro One Networks Inc. EB-2017-0364
Combined NextBridge EB-2017-0184
Leave to construct new transmission facilities (Lake Superior Link)
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the Notice of Intervention of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner

Consultant for VECC

Hydro one: regulatory@hydroone.com
NextBridge EWT: egdregulatoryproceedings@enbridge.com

REQUESTOR NAME VECC
TO: Hydro One Networks Lake Superior Link (LSL)
DATE: August 30, 2018
CASE NO: EB-2017-0364
APPLICATION NAME Leave to construct transmission facilities - LSL

VECC-1

Reference: Motion Undertaking JT 2.9

Preamble: The following timetable for the LSL project was provided in the Hearing of Motion phase of this proceeding

TASK	START	FINISH
Submit Section 92 Application to OEB		February 2018
Projected Section 92 Approval	February 2018	October 2018
Finalize Execute EPC Contract with SNCL		November 2018
Environment Assessment and Consultation		
Obtain EA Approval from MOECC	January 2018	June July 2019
Ongoing First Nations & Métis Consultation and Consultation with Stakeholders	February 2018	December 2021
Lines Construction Work		
Real Estate Land Acquisition	March 2018	March 2020
Detailed Engineering	April March 2018	July 2019
Tender and Award Procurement	March 2018 January 2019	May 2020 September 2019
Construction	July 2019	November September 2021
Commissioning	October September 2021	December 2021
In Service		December 2021

- a) Please confirm this schedule is current or provide the most current estimate of the LSL project timelines.

VECC-2

Reference: Exhibit B, Tab 1, Schedule 1, pg. 10 / Tab 7, Schedule 1

Pre-amble: Hydro One states: *In order for Hydro One to deliver the Project in 2021 at the cost included in this Application, it would be necessary for Hydro One and MOECC to work collaboratively to implement a regulatory measure such as a Cabinet exemption to typical EA requirements. This regulatory measure would allow Hydro One to utilize the EA-specific development work, already completed by NextBridge, and address changes in the proposed route through additional study, consultation and regulatory approval.*

- a) Please provide the agreement Hydro One has negotiated with NextBridge to utilize the latter's EA specific development work.
- b) Please provide the agreement that Hydro One has negotiated with MOECC which would allow for the EA specific development work completed by NextBridge to be utilized by Hydro One for the LSL project.
- c) If neither of a) nor b) has been completed please provide a schedule showing Hydro One' environmental assessment implementation plan from start to estimated date of approval.
- d) Hydro One states that it must receive EA approval by June 2019 in order to meet both the in-service date and the costs outlined in the Application (pg.7 of 12). If the EA approval is not given until January 2020 what are the schedule and cost consequences to the LSL project?

VECC-3

Reference: IESO Addendum to the 2017 Updated Assessment for the Need for the Eat-West Tie Expansion, June 29, 2018 (IESO 2018 Addendum)

The following is extracted from the above IESO reference:

The IESO continues to recommend an in-service date of 2020 for the E-W Tie Expansion. If the in-service date is delayed beyond 2020, using interim measures to manage the need will result in additional costs and increased risks to system reliability.

Table 1 Projected Cost of the Incremental Capacity Requirements (2020-2024)

Year	Requirement (MW)	Allowable Load Rejection (MW)	Incremental Requirement (MW)	Projected Cost (2017\$ millions)	Projected Cost Range (2017\$ millions)
2020	239	150	89	\$16	\$7 to 20
2021	251	150	101	\$18	\$8 to 23
2022	272	150	122	\$22	\$9 to 27
2023	360	150	210	\$38	\$16 to 47
2024	394	150	244	\$44	\$19 to 55

- a) If Hydro One is unable to put into service LSL by 2020 does it intend to compensate the IESO/consumers for any incremental capacity costs for in-service delays beyond the year-end 2020?
- b) If not please explain how Hydro One believes the IESO estimated incremental costs based on the current LSL in-service date of December 2021 would be recovered.

VECC-4

Reference: Motion Technical Conference Transcript May 17, 2018, page 231 In 7-19. / Exhibit B, Tab 10, Schedule 1./ Exhibit B, Tab 7, Schedule 2

Preamble: In response to VECC’s questions as to the potential for OM&A cross-subsidies as between Hydro One’s other transmission functions and those related to LSL Hydro One stated the following

MR. SPENCER: So a slight clarification to your assumption. We would, in fact, prior to energization of the line, form a new company that would be subject to its own -- we would file a cost of service application associated with that ongoing operation, maintenance and administration work.

We would establish appropriate service level agreements between the newco and Hydro One Networks in accordance with the Affiliate Relationship Code, and our forecast is certainly that the \$1.5 million is achievable.

We would also consider the revenues into the Hydro One Network side from that SLA to be an offset to otherwise potentially necessary revenue requirements.

- a) Please confirm (or correct) that it is Hydro One's intention to create a subsidiary company to own and operate LSL.
- b) If an affiliate is to be created describe the form of ownership, the estimated number of employees and how each of the activities listed at EB/T7/S2/pg.3 will be executed (e.g. directly by the affiliate or through an agreement with Hydro One)
- c) If an affiliate is to be created for LSL please explain how the common assets in the Pukaskwa Park corridor will be owned and operated.
- d) Please explain why, if an affiliate company is to be created, Hydro One would require the deferral account or ICM treatment as set out at Exhibit B, Tab 10, Schedule 1, which appear to be premised on the integration of the LSL assets into Hydro One Transmission and as part of its revenue requirement.
- e) If an affiliate relationship is created please confirm that LSL would be subject to the requirements of section 2.3.3 of the Affiliate Relationship Code for Electricity Distributors and Transmitters. If Hydro One believes that the affiliate relationship will be subject to section 2.3.4 of the Code please explain why.
- f) If, as indicated in the above response, that an affiliate company will be created please explain how "*Hydro One's existing maintenance programs will be leveraged to perform maintenance on the new Lake Superior Link transmission line*" while adhering to the requirements of the affiliate relationship code.
- g) Does Hydro One presently offer any transmission or distribution services to other Ontario utilities?

VECC-5

a) Please provide the development costs for the LSL in the following format
(NB -for purpose of comparison we have asked the same question of NextBridge)

Development Costs	Total Costs	Incurred to date
Engineering, Design and Procurement		
Permitting and Licensing		
Environmental Approvals		
Regulatory Approvals		
Land Acquisition		
First Nation and Metis Consultation		
Other Consultations		
Interconnection Studies		
Project Management		
Contingency		
Other (Describe)		
Total Development Costs		

VECC-6

Reference: Exhibit B/Tab 7/Schedule 1

- a) Please update Table 3 below to show the current estimates of construction costs net of all development costs and in the following format:
 (NB -for purpose of comparison we have asked the same question of NextBridge)

	Original Application Estimate	Current Estimate	ACCE Estimate Level	Expenditures as at July 31, 2018
Construction				
Site Clearing Costs				
Site Remediation Costs				
Materials & Equipment				
Project Management				
Construction Management, Engineering, Design & Procurement				
Real Estate & Property Acquisition costs				
First Nations & Métis Consultations				
First Nations & Metis Participation				
Other Consultations				
Interconnection & Other Studies (Describe)				
Environmental Approval				
Regulatory Costs				
Contingency				
Interest During Construction("IDC")				
Overheads and other allocated costs (describe)				
Other Costs (Describe)				
Total Construction Cost				

VECC-7

Reference: Hydro One Letter of September 22, 2017 / Exhibit B, Tab 1, Schedule 1, pg. 6 / Exhibit B, Tab 7, Schedule 1

Pre-amble: Subsequent to the filing of an application for leave-to-construct application by Upper Canada Transmission (NextBridge) Hydro One notified the OEB on September 22, 2017 that “*Dependent upon the IESO’s updated needs assessment, Hydro One is prepared to submit a Leave to Construct application, which will include a not-to-exceed price, by December of this [2017] year.*” Emphasis added.

Hydro One has also stated that it “*is confident in its ability to deliver the Project for \$120 million less than NextBridge’s submitted price primarily due to a more efficient route which is 10% shorter, traversing through the Pukaskwa National Park parallel to existing Hydro One infrastructure as well as an optimized tower design to reduce material and construction costs.*”

- a) What is the “not-to-exceed price” that Hydro One is proposing for the LSL project?
- b) Is Hydro One prepared to guarantee a construction and operating cost less than that currently proposed by NextBridge for this transmission line?

VECC-8

Reference: Exhibit B, Tab 7, Schedule 1, pg. 9

Preamble: The evidence states that “*Hydro One is carrying a much smaller contingency (\$10.8 million) than is typical for a capital project of this size.*”

- a) What would be the normal contingency used by Hydro One for a project of this size and complexity?
- b) Should Hydro One exceed its contingency allowance will any excess above the \$10.8 million be sought for rate recovery or alternatively absorbed by the shareholder?

VECC-9

Reference: Motion Technical Conference Undertaking JT 2.20

In response to an undertaking to show the incremental costs of by-passing Pukaskwa Park Hydro One provided the following table:

Exhibit B/T7/S1 Table 3: Construction Costs (\$000s)	HONI S.92	HONI By-Pass	Delta
Route Length	403 km	443 km	9.9%
Construction	\$ 354,030	\$ 371,732	5.0%
Site Clearing, Preparation & Site Remediation	\$ 104,339	\$ 116,860	12.0%
Material	\$ 58,713	\$ 64,584	10.0%
Project Management	\$ 5,802	\$ 5,802	0.0%
Other Costs	\$ 9,451	\$ 9,481	0.3%
Construction Management, Engineering, Design & Procurement	\$ 17,828	\$ 18,719	5.0%
Real Estate	\$ 9,798	\$ 9,798	0.0%
First Nations & Métis Consultations	\$ 1,133	\$ 1,627	43.6%
Environmental Approval	\$ 819	\$ 1,819	122.1%
Other Consultations	\$ 160	\$ 160	0.0%
Contingency	\$ 10,775	\$ 10,775	0.0%
Interest During Construction (“IDC”)	\$ 42,596	\$ 44,838	5.3%
Overhead	\$ 8,502	\$ 8,502	0.0%
Total Construction Cost	\$ 623,946	\$ 664,697	6.5%
Adder to go around Pukaskwa National Park		\$ 40,751	

The following proviso was added to that response:

“Please note that the “By-Pass” costs shown below are Hydro One’s best estimate at this point in time, and the proposed solution has not been detailed to the same level as what was filed as part of the s.92 application.”

- a) Does the \$40,751,000 estimated cost of following the “NextBridge route” (i.e. Alternative 1) remain Hydro One’s most current forecast of the benefit of not having to by-pass Pukaskwa Park?
- b) Please provide the ACCE estimate class of this forecast and its components.

VECC-10

Reference: Exhibit E, Tab 1, Schedule 1

Preamble: At the above reference Hydro One states:

“Hydro One will utilize its existing Federal Licence of Occupation granted by Her Majesty the Queen represented by the Ministry of Environment for the benefit of Parks Canada for all land rights requirements in Pukaskwa National Park. No further land rights are required; limited amendments to the existing agreement are required for the Line reconstruction through Pukaskwa National Park.”

- a) Please provide the “limited amendment” that is being sought to be approved for incorporation into Hydro One’s existing Licence of Occupation.
- b) Please provide the application that has been made to Parks Canada or other Federal department seeking to have this amendment added.
- c) Has this amendment been approved by the requisite authorities? If not please explain when approval is expected and the basis for that estimate.
- d) If LSL is to be incorporated as an affiliate company please explain how it will be able to co-own or otherwise operate the transmission assets which traverse the Park under the licence granted to Hydro One (and presumably not the affiliate).

VECC-11

Reference: Exhibit C-01-02 Attachment 2

- a) Please provide Article 8.01 of the current License Agreement with Parks Canada

VECC-12

Reference: Exhibit B, Tab 2, Schedule 1

- c) Hydro One states that it will install Optical Grown Wire (OPGW) on the proposed LSL. Does Hydro One intend on leasing/renting any “dark fibers” on this line?
- d) If yes, what is the estimated annual revenue for this ancillary service?

VECC-13

Reference: Exhibit B, Tab 3, Schedule 1

- a) Hydro One notes that it will be able to upgrade sections of the LSL to increase east-west capability to 650 MW when the need arises. Please contrast this with, and comment on, NextBridge's proposal and its ability for future expandability. Specifically does Hydro One believe its LSL proposal has better/more economical future expandability than the Nextbridge proposal?

End of document