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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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DELIVERED BY EMAIL

Dear Ms. Walli,

**RE: EB-2017-0182/EB-2017-0194/EB-2017-036 East West Tie Combined
Proceeding**

Please find enclosed the interrogatories of the Consumers Council of Canada in the above noted combined proceeding.

Yours very truly,



Michael R. Buonaguro
Encl.

EB-2017-0182/EB-2017-0194/EB-2017-0364

Upper Canada Transmission Inc. (on behalf of NextBridge Infrastructure) Application for leave to construct an electricity transmission line between Thunder Bay and Wawa, Ontario

- and -

Hydro One Networks Inc. Application to upgrade existing transmission station facilities in the Districts of Thunder Bay and Algoma, Ontario

-and-

Hydro One Networks Inc. Application for leave to construct an electricity transmission line between Thunder Bay and Wawa, Ontario

WRITTEN INTERROGATORIES THE CONSUMERS COUNCIL OF CANADA (THE COUNCIL) TO HYDRO ONE NETWORKS INC. (HYDRO ONE)

CCC-1

REF: EB-2017-0364, EXHIBIT B, TAB 2, SCHEDULE 1, pages 4-5:

For the section inside Pukaskwa National Park, Hydro One will convert approximately 35 km of the existing 230 kV double-circuit transmission line by upgrading to a four-circuit transmission line (replace the existing double circuit towers with four circuit guyed towers and add conductors and insulators for the two new circuits) on the existing ROW, with the summer rating of 1120 Ampere (466 MV and 240 kV operating voltage) for each of the new circuits;

REF: EB-2017-0364 Technical Conference Transcript May 17, 2018, page 284.

MR. LESYCHYN: Just a couple questions here: Are there any stranded assets as a result of Hydro One's proposed quad towers through the park?

MR. SPENCER: Not to our knowledge, no.

MR. LESYCHYN: So there wouldn't be any kind of incremental cost for that.

MR. SPENCER: There are no -- there will be no stranded -- we don't foresee any stranded assets with the tower replacement.

MR. LESYCHYN: Okay. Hang on, hang on. Within the park, is the construction cost incremental within the park or is it full cost? In other words, you're basically only looking at the cost to basically take the circuits from a double circuit to a quad circuit? Are you basically -- is the entire cost is being fully allocated?

MR. SPENCER: The modifications to the tower -- the towers through the park to enable a quad circuit, those costs in this application are fully burdened.

MR. LESYCHYN: Okay. Is there any stranded value for the towers that you're basically taking out, because those towers are not at end of life. They are 50 years old. I'm not sure of what the value is there, but...

MR. SPENCER: We're not sure on this panel of the details of that, to be honest.

MR. LESYCHYN: Okay.

The Council would like to better understand the impact of the proposed project on the existing Hydro One transmission line through Pukaskwa National Park.

- a) How much of the total proposed cost of \$636M is attributable on a fully allocated basis to the replacement of the existing double circuit (as opposed to the upgrade to a quad circuit)?
- b) What is the stranded value with respect to the assets related to the existing transmission line through Pukaskwa Park that will be removed from service, and how does HONI propose to recover that value if at all?
- c) Are there any material avoided costs as a result of upgrading the existing transmission line as proposed, i.e. are there material capital investments that will need to be made in the near future in order to maintain the existing transmission line assuming the proposed upgrade is not performed? If there are material avoided costs please quantify those costs and provide a forecast of when they will need to be made.

CCC-2

REF: Hydro One Networks' Letter of Intent to file Leave to Construct Application - East West Tie Line, dated September 22, 2017.

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 year. We believe we are uniquely positioned to provide a cost-effective alternative while substantively meeting the timeline needs for the East-West Tie transmission line. Hydro One's East West Tie Station Project (EB-2017-0194) will still be required.

REF: EB-2017-0364 Technical Conference Transcript May 17, 2018, pages 170-171.

MR. RUBENSTEIN: Does your application include a not-to-exceed price?

MR. SPENCER: No, it does not.

MR. RUBENSTEIN: Why the change?

MR. SPENCER: So if I may, our section 92 submission, as is, does in fact contain 85 percent of the cost as part of a fixed-price contract with SNC-Lavalin.

But just to digress for a second, ultimately, when we looked at our -- I will generally call it a value proposition around what we brought to the board for consideration, we felt strongly confident in our abilities, both on the savings on the capital construction and development costs, as well as the ongoing savings from an operations, maintenance, and administration perspective.

No doubt I think we could all say this entire proceeding has some ambiguity around it, everything from environmental approvals to the OEB approval itself, and we didn't feel it was in fact helpful or necessary to include that fixed-price commitment.

Now, what we've done instead is we've ensured that our fixed-price contract with SNC-Lavalin is as robust and complete as possible from a risk mitigation to customers perspective.

So if I may, we're approximately 85 percent...

MR. RUBENSTEIN: I'm going to have lots of questions on that, so it's probably best to -- don't worry.

MS. LEA: Mr. Rubenstein, we will need a break at some point, but I don't want to interrupt you at an inopportune moment.

If you can choose a time in the next 15 minutes to have a break, that would be great. Thank you.

MR. SPENCER: There is a key point that I wouldn't mind elaborating on in my last question.

So your question was essentially why did we not the come forward with a fixed price. One of the key considerations was the fact that we had not undertaken full consultation with First Nation and Métis communities and one of the members of our board, who provided us guidance throughout this process, she felt that was an unclear risk, given that we had not yet had those conversations.

So she encouraged us to continue to follow our normal practices, and ensure that we have appropriate time to engage and consult.

REF: EB-2017-0364 Technical Conference Transcript May 17, 2018, pages 195-197.

MR. BUONAGURO: Thank you. Good afternoon, panel. I just have a couple of areas of questions, and mostly to reconcile my confusion on a couple things.

First, and following up on some of what Mr. Rubenstein was asking about, he asked you what class of estimate that the project would attract, and I believe the answer was Class 3?

MR. KARUNAKARAN: That's correct.

MR. BUONAGURO: And that's in relation to the AACE standard, I guess is what you would call that?

MR. KARUNAKARAN: That's correct.

MR. BUONAGURO: Thank you. I looked it up, and perhaps you can confirm, subject to check, that that would normally attract a variance inaccuracy of between -- at the very, very low end negative 20 percent and at the high end plus 30 percent?

MR. SPENCER: So those are the defined bounds within the AACE framework for a Class 3 product. Now, just to clarify, the classification system is a function of the underlying deliverables and their associated maturity.

So what is unique about our application, just to elaborate on that, is we've completed enough of the underlying work and simplified terms, let's call that engineering and cost estimation and risk assessment and the like, scheduled development, to feel confident about locking in at a fixed-price contract.

MR. BUONAGURO: And that's why I was asking, because everything up to that, in terms of your discussion with Mr. Rubenstein, suggested something tighter than that bound because of the fixed-price contract and such.

So if you were to translate what you were talking about with him into that accuracy range, what are we talking about?

MR. SPENCER: We feel comfortable that our cost estimate is total development and construction cost together, \$636 million, plus or minus approximately 6 percent.

MR. BUONAGURO: That seems pretty specific. Is that a calculation that you've already done with all the different factors?

MR. SPENCER: So we looked at the analysis, considering how much of our construction contract is, in fact, bound by the fixed-price terms of the EPC contract, which is why -- the primary reason why that's so fixed, so we have done a preliminary calculation to inform that tolerance.

MR. BUONAGURO: Is that a calculation you can provide by way of undertaking?

MR. SPENCER: We could provide that analysis, yes.

MR. LAVAE: That would be Undertaking JT2.25, that you want to provide analysis.

REF: EB-2017-0364, Exhibit JT 2.25

It appears to the Council that approximately 8 months after Hydro One first advised the Ontario Energy Board that it was prepared to submit a Leave to Construct for the proposed project including a not to exceed price, Hydro One has represented to the Board that it has developed a project proposal with a total combined development and construction cost of \$636M, with a forecast accuracy of -5% to +6%.

- a) Based on the quality of the estimate as described by Hydro One, is Hydro One able to commit to a not to exceed price, as it originally asserted it would, of \$636M? If not why not?

- b) Based on the quality of the estimate as described by Hydro One, is Hydro One able to commit to a not to exceed price, as it originally asserted it would, of \$676M, which is comprised of the base estimate plus the forecast potential variance of 6%? If not why not?