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**BY E-MAIL**

August 30, 2018

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Upper Canada Transmission Inc. (on behalf of NextBridge Infrastructure)  
Application for Leave to Construct the East-West Tie Line Project  
OEB File Number No.: EB-2017-0182 (combined with EB-2017-0194 and EB-2017-0364)**

In accordance with Procedural Order No. 1 and 2 on Combined Hearing, dated August 13, 2018, and August 27, 2018, respectively, please find attached OEB staff interrogatories in the above combined proceeding. The attached document has been forwarded to the applicant and to all other registered parties to the combined proceeding.

Yours truly,

*Original Signed By*

Zora Crnojacki  
Project Advisor  
Supply and Infrastructure

Attachment

cc: Parties to EB-2017-0182, EB-2017-0194 and EB-2017-0364



## **OEB Staff Interrogatories**

**Upper Canada Transmission Inc.  
(on behalf of NextBridge Infrastructure)**

**Application for Leave to Construct the East-West Tie Line**

**EB-2017-0182  
(Combined with EB-2017-0194 and EB-2017-0364)**

**August 30, 2018**

**NB EWT-Combined-Staff-45-S**

**Ref: IESO's Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion**

The IESO's "Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion" states:

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.

The IESO's Addendum then goes on to forecast the potential capital and energy costs, as well as the foregone loss savings, of a delay to the in-service date.

**Question:**

- a) Is NextBridge prepared, if granted Leave to Construct (LTC) approval, to pay the annual system costs associated with a delay beyond the date proposed in its applications (i.e. December 2020)? Please explain.

**NB EWT-Combined-Staff-46-S**

**Ref: EB-2011-0140, UCT's Application for Designation to Develop the East-West Tie Line, Section 5, Pages 72-74 (filed January 4, 2013)**

According to section 96(2) of the *Ontario Energy Board Act*, in an application under section 92, the OEB shall consider the interests of consumers with respect to prices, and the reliability and quality of electricity service, and the promotion of the use of renewable energy sources in a manner consistent with the policies of the Government of Ontario.

Given the public interest mandate that is engaged in LTC applications, OEB staff is interested in exploring potential options with respect to prices and cost certainty.

Hydro One stated in its September 22, 2017 letter to the OEB that "Hydro One is prepared to submit a Leave to Construct application, which will include a not-to-exceed price...".

NextBridge indicated in its designation application that it would assume some risk for the construction cost forecast through performance-based ratemaking. At the time of the designation application, NextBridge planned to present this proposal as part of the LTC process.

**Questions:**

- a) Is NextBridge willing to provide the OEB with a not-to-exceed price for the project? If so, what is that price? If not, please explain.
- b) Would NextBridge consider providing the OEB with varying capital costs for the project that reflect different risk sharing proposals between itself and ratepayers? For example, would NextBridge consider having certain specific risks shared between ratepayers and the utility, other risks absorbed by the utility, and other risks absorbed by the ratepayers, all of which would result in a specific project cost? If yes, please fill in Table 1 with the scenarios NextBridge is willing to provide. If not, please explain.

Table 1 (Please add or remove rows in the table below, as needed)					
Scenario #	Risks borne by the utility	Risks borne by the ratepayer	Risks shared between the utility and ratepayers	Project Cost (\$)	Comments
1	• • •	• • •	• • •	\$ M	
2	• • •	• • •	• • •	\$ M	
3	• • •	• • •	• • •	\$ M	
4	• • •	• • •	• • •	\$M	

- c) Does NextBridge have any other proposals that the OEB might consider implementing in order to ensure the successful proponent brings its project into service in the timeline and cost established in this proceeding?

**NB EWT-Combined-Staff-47-S**  
**Reporting**

**Question:**

- a) What type of reporting does NextBridge feel would be appropriate for the successful proponent, both in terms of content and frequency?

**NB EWT-Combined-Staff-48-S**  
**Other Approval Conditions**

**Questions:**

- a) In NextBridge's view, what other conditions should be placed on the successful proponent?
- b) Does NextBridge agree that the successful proponent should be granted LTC approval subject to a condition that the construction commences by a specific date (for example, one year from LTC approval)? If so, what should that time period be in NextBridge's view?

**NB EWT-Combined-Staff-49-S**  
**NextBridge's Construction Cost Estimate**

**Questions:**

- a) Please provide an update on NextBridge's construction cost estimate.
  - i. If there has been any change in NextBridge's construction cost estimate, please provide a detailed explanation of the change and the reason for the change.
- b) Please provide an update of NextBridge's projected in-service date for the EWT line?
  - i. To be able to maintain the December 2020 completion date, when must construction work begin by?

**NB EWT-Combined-Staff-50-S**  
**Project Contingency**

**Questions:**

- a) Please comment on how likely it is that recent U.S. steel tariffs will significantly impact the estimated costs of materials for the line construction. What is the estimated dollar amount of an increase, if applicable?

- b) Have any of the potential risks identified in NextBridge's application become more likely to occur, since the filing of its LTC application? If yes, please identify those risks and potential costs, should these risks materialize.
- c) Has NextBridge found that the contingencies for the project need to be revised, since the application was filed? If so, please describe the costs according to appropriate categories and provide the reasons for any changes.

### **NB EWT-Combined-Staff-51-S**

#### **Status of Environmental Assessment (EA) Approval**

##### **Questions:**

- a) What is the current status of NextBridge's EA approval? Please thoroughly explain.
- b) Please provide all correspondence NextBridge has had with the Ministry of Environment, Conservation and Parks (formerly, Ministry of Environment and Climate Change) since May 2018.
- c) Has NextBridge's budgeted cost for its EA process changed since July 2017? If so, please provide new estimates and the rationale for the increase (or decrease).
- d) What percentage of its total construction budget (Environmental and Regulatory) has NextBridge spent to date on its EA approval process?
- e) Is NextBridge aware if any party intends to appeal NextBridge's possible EA approval? If so, how does NextBridge plan to deal with this issue?
- f) Which approval is more critical to NextBridge's overall project schedule; the OEB's LTC or the Ministry of Environment, Conservation and Parks' EA approval?
- g) In its project schedule NextBridge projects to have its EA approval by October 2018. What are the cost and timing impacts if the EA approval is not received until end of
  - i. November 2018,
  - ii. December 2018,
  - iii. January 2019, and
  - iv. February 2019.

### **NB EWT-Combined-Staff-52-S**

#### **Status of Indigenous Consultation and Participation**

##### **Questions:**

- a) Please provide a status update on NextBridge's Indigenous consultation and participation efforts and advise if NextBridge has reached agreements with any further Indigenous communities. If not, what is NextBridge's timeline to reach agreements?

- b) Is NextBridge in receipt of any letters of support from Indigenous communities that have not been filed on the record, with respect to NextBridge's East-West Tie line project? If yes, please provide those letters.
- c) Is NextBridge in receipt of any letters of opposition from Indigenous communities with respect to NextBridge's East-West Tie Line application? If yes, please provide those letters.

**NB EWT-Combined-Staff-53-S**

**Status of non-Indigenous Consultation**

**Questions:**

- a) Please provide a status update on NextBridge's non-Indigenous consultation efforts.
- b) Is NextBridge in receipt of any letters of support from non-Indigenous communities that have not been filed on the record, with respect to NextBridge's East-West Tie line project? If yes, please provide those letters.
- c) Is NextBridge in receipt of any letters of opposition from non-Indigenous communities with respect to NextBridge's East-West Tie Line application? If yes, please provide those letters.

**NB EWT-Combined-Staff-54-S**

**Ref: NextBridge's Response to Undertaking JT 1.34**

**OM&A Costs**

In its response to an undertaking provided at the May 7, 2018 technical conference, NextBridge provided the following breakdown of its annual OM&A charges forecast:

	In CADs
Operations & Maintenance	\$1,272,147
Regulatory	\$205,000
Compliance, including administration	\$3,248,463
Total	\$4,725,610

**Questions:**

- a) Please explain what costs are included in the Operations & Maintenance category. To the extent that there are any costs included in this category beyond overhead line maintenance and vegetation maintenance, please explain what those costs are.
- b) Please provide a detailed explanation as to how NextBridge calculated the approximately \$1.27 million costs for Operations & Maintenance.

- c) Please explain how much of this is attributable to overhead line maintenance, vegetation maintenance and other costs.
- d) Please explain what costs are included in the Regulatory category.
- e) Please provide a detailed explanation as to how NextBridge calculated the \$205,000 costs for the Regulatory category.
- f) Please explain what costs are included in the Compliance category and the amounts attributable to each cost sub-category.
- g) Please provide a detailed explanation as to how NextBridge calculated the approximately \$3.25 million costs for the Compliance category.
- h) Please explain the difference between the Regulatory and Compliance categories.
- i) In its Lake Superior Link application, Hydro One forecasts OM&A costs of approximately \$1.5 million.
  - i. Has NextBridge reviewed its proposed OM&A costs to see whether it could find further efficiencies to reduce its proposed OM&A costs? If so, please describe what steps NextBridge has taken and whether NextBridge is able to lower its forecasted OM&A costs.

### **NB EWT-Combined-Staff-55-S**

#### **Ref: NextBridge's Response to Undertaking JT 1.12**

#### **Construction Costs**

In its response to an undertaking provided at the May 7, 2018 technical conference, NextBridge provided its actual and budgeted costs for January 2018 to April 2018, broken down by cost category.

#### **Questions:**

- a) Please provide NextBridge's actual and budgeted costs for May 2018 to August 2018 in the same table format, as in response to Undertaking JT 1.12.
- b) Please explain any cost difference in each category, where the difference between the actual and budgeted costs for this period exceeds 5%.
- c) Please provide any communications to the NextBridge's Board of Directors about costs for the period May 2018 to August 31, 2018.
- d) Please provide any other internal communications (including reports from the project director to the project managers) about cost variances for the period May 2018 to August 31, 2018.
- e) Please explain whether NextBridge has changed any of its cost management practices since April 2018? If so, what were the changes and why were they done?



**NB EWT-Combined-Staff-56-S**

**Ref: Exhibit JT1.24, Attachment 5, Page 2 of 2  
Comprehensive Data Book**

As part of its response to undertaking JT 1.24 provided at the May 7, 2018 technical conference, NextBridge provided an excerpt of slide presentation to its Board of Directors referencing a “comprehensive data book”.

**Question:**

- a) Please provide a copy of that data book.

**NB EWT-Combined-Staff-57-S**

**Ref: NextBridge July 23, 2018 Report to the OEB  
Construction Costs**

In its most recent report to the OEB, NextBridge makes reference, among other things, to (i) ongoing engagement with Hydro One regarding line crossings; and (ii) bid proposals that have been received from tower suppliers to provide lattice structures.

**Questions:**

- a) Please provide a detailed update of the status of line crossing discussions with Hydro One.
  - i. Are there any changes to the anticipated budget or in-service date as a result of developments in this regard?
- b) Please advise as to whether NextBridge has chosen a tower supplier.
  - i. If yes, please advise as to whether the tower supplier chosen was the lowest cost bidder and how those costs compare to the amount budgeted in NextBridge’s construction cost estimate.
  - ii. If no, please advise as to when NextBridge expects this to occur and how the bids compare to the amount budgeted in NextBridge’s construction cost estimate.