

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

**BOOK OF REFERENCES OF
BIINJITWAABIK ZAAGING ANISHINAABEK
for CROSS EXAMINATION OF HYDRO ONE NETWORKS INC**

DATED: October 2, 2018

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ETIENNE ESQUEGA
Lawyer for the Intervenor
Bijnjitiwaabik Zaaging Anishinaabek ("BZA")

**HYDRO ONE NETWORKS INC (“HONI”)
CROSS EXAMINATION REFERENCE MATERIALS**

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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.

AFFIDAVIT OF CHIEF MELVIN HARDY

I, CHIEF MELVIN HARDY of Biinjitiwaabik Zaaging Anishinaabek First Nation in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a member of Biinjitiwaabik Zaaging Anishinaabek (“BZA”) and was elected Chief in July 2016. As such I have knowledge of the matters to which I herein depose, except for those matters that are stated on information and belief, and where so stated, I have provided the source of the information and I believe it to be true.
2. I am providing this affidavit as evidence as part of BZA’s intervention in this proceeding.
3. HONI’s proposed Lake Superior Link Project is a competing application with Upper Canada Transmission Inc. operating as Nextbridge Infrastructure (“Nextbridge”)’s application to build the East West Tie line project, EB-2017-0812 (“East West Tie”).
4. Hydro One Network Inc’s (“HONI”) proposed Lake Superior Link project, the subject of these proceedings, traverses the traditional territory of BZA. Our members continue to engage in our traditional practices throughout this territory through hunting, fishing, trapping, harvesting

and ceremonies. These traditions and practices may be affected by the proposed Lake Superior Link Project. However, the extent to which they may be affected is uncertain as HONI has not yet consulted our community with respect to this project.

5. BZA has an unextinguished aboriginal title claim and includes areas affected by the Lake Superior Link Project and as such there is a heightened obligation on the Crown to fulfil the duty to consult. It is my understanding that the Ministry of Energy has delegated the procedural aspects of consultation to HONI with respect to this project, and that this consultation is in addition to the consultation requirements imposed under the *Environmental Assessment Act*.
6. To my knowledge, HONI has made very limited contact with BZA concerning the Lake Superior Link Project and there has been no community engagement to date. A letter dated April 30th, 2018, addressed to myself from HONI and attached hereto as **Exhibit A**, advises that HONI is seeking to begin the consultation process immediately. However, this is the only correspondence BZA has had with HONI with respect to this application.
7. BZA requires significant consultation and accommodation with respect to the transmission line project. HONI may even require the consent of BZA with respect to the Lake Superior Link application. BZA submits that this consultation is required prior to any development which will affect the rights, title or interests of the BZA.
8. Since 2013, BZA has engaged with Nextbridge with respect to the East West Tie application. Consultation with Nextbridge is ongoing, however the consultation process with respect to that application is not complete.
9. BZA retained Shared Value Solutions to assist them reviewing Nextbridge's Environmental Assessment in the East West Tie application. Shared Value Solutions provided a technical

review of the Draft Environmental Assessment Report (“Draft EA Report”) and Amended Environmental Assessment. On November 21, 2017, Nextbridge advised BZA that specific environmental concerns, questions and issues raised with respect to the draft EA Report would be responded to through the regulatory approvals process. Nextbridge committed to amending the Draft EA Report to address feedback received from various parties, and continued to correspond with Shared Value Solutions and the Band with respect to amendments to the EA Report.

10. If HONI will be relying on the Nextbridge’s Environmental Assessment and similarly will be relying on this regulatory process to address ongoing concerns, BZA has not been advised as to how HONI will address the concerns that BZA has raised with respect to the transmission line construction.

11. BZA has an interest in whether the Environmental Assessment for the East West Tie is transferrable to the Lake Superior Link Project.

12. I make this affidavit with respect to the above proceeding and for no improper purpose.

SWORN BEFORE ME at the
Fort William First Nation, in the District of
Thunder Bay, in the Province of Ontario, this
6th day of May 2018 A.D.



Commissioner for Taking Affidavits, etc.

MOLLY A. MACDONALD
BARRISTER AND SOLICITOR

)
)
) 
) _____
) **CHIEF MELVIN HARDY**
)
)

Hydro One Networks Inc.
483 Bay Street
TCT6, South Tower
Toronto, Ontario M5G 2P5
www.HydroOne.com
Derek.Chum@HydroOne.com

This is Exhibit "A" referred to in the
affidavit of Chief Melvin Hardy
sworn before me, this 8th day of May 2018.
[Signature]
A COMMISSIONER FOR TAKING AFFIDAVITS



MOLLY A. MACDONALD
BARRISTER AND SOLICITOR

Derek Chum
Vice President, Indigenous Relations

April 30, 2018

Chief Melvin Hardy
Biinjitiwaabik Zaaging Anishinaabek
501 Spirit Bay Rd
MacDiarmid, ON P0T 2B0

Dear Chief Hardy:

Hydro One seeks approval to construct new East-West Tie transmission line

Designing, building, and operating transmission infrastructure has been a core competency of Hydro One for many decades. Our teams bring their best each day and are working to deliver a transmission capital portfolio that has more than 200 projects at any given time.

With this in mind, and given our long history of service and ongoing commitment to northern Ontario, Hydro One has submitted an application to the Ontario Energy Board (OEB) seeking approval to construct a new transmission line between our Lakehead Transformer Station (TS) and our Wawa TS, as shown on the attached map. The new line will provide the additional power transfer capability to ensure the future electricity needs and growth of northern Ontario can be met.

Our proposed project, which we are calling the Lake Superior Link, is a 400 kilometre double-circuit 230 kilovolt transmission line that would primarily be built on or adjacent to Hydro One's existing East-West Tie transmission corridor. Hydro One's proposal is the most cost-effective solution for Ontario electricity consumers.

By maximizing use of existing infrastructure, our route is approximately 50 km shorter than the other proponent's proposal, reducing the amount of relatively undisturbed land that would need to be cleared. A major benefit of our project would be realized in Pukaskwa National Park, where Hydro One's existing transmission line can be upgraded without widening the corridor. Outside of the Park, our project can be constructed on a narrower corridor; overall, the Lake Superior Link will require approximately 50% less corridor land than the other proponent's route, thereby minimizing environmental impacts and disturbance to local communities.

Hydro One received a letter from the Ministry of Energy delegating procedural aspects of Consultation to Hydro One regarding its proposed Lake Superior Link Project. Hydro One recognizes the importance of consultation with Indigenous communities. We are very excited about our proposal and its ability to maximize value for Ontario electricity customers, and look forward to discussing how this project can deliver tangible benefits to Indigenous communities in the project area. These tangible benefits include, but are not limited to, capacity funding, contracting and employment opportunities.

Hydro One together with its engineering and construction partner SNC-Lavalin not only recognizes the importance of having involvement and participation of Indigenous communities and businesses in the execution of the Lake Superior Link Project, we also have a proud history of inclusion through employment and procurement of our projects. For the Lake Superior Link Project, we will actively procure goods and services from qualified Indigenous suppliers and with companies who have strong relationships with local Indigenous communities and businesses. We will continue these relationships offering participation throughout the construction phase. Similarly, we will seek to maximize the employment of members from local/regional Indigenous communities, including additional skills training for those enrolled in the Anishinabek Employment and Training Services (AETS) program, which would be beneficial to the Lake Superior Link Project as well as future projects and employment with Hydro One.

Hydro One is prepared to begin the consultation process immediately and would like to begin scheduling meetings with you and your community as soon as possible. Hydro One's Indigenous Relations team will be following up with you shortly to schedule a meeting. In the interim, I would be pleased to answer any questions you may have. Please also feel free to contact Christine Goulais, Senior Manager, Indigenous Relations, at 416-345-4390 or Tausha Esquega, Senior Advisor, Indigenous Relations, at 807-346-3830.

Sincerely,



Derek Chum

Attachment

Evidence In Support of Need

In March 2016 an Order-in-Council was issued by the Ontario Government to the OEB, declaring that the East-West Tie (“EWT”) Project is needed as a priority project and requesting an in-service date of 2020¹. The Ministry of Energy asked the IESO to update the Needs Assessment of the project in light of the higher cost estimate filed by NextBridge with the OEB for the line component of the EWT Project (refer to **Exhibit B, Tab 3, Schedule 1, Attachment 1**). On December 1, 2017, the IESO reconfirmed that the “E-W Tie Expansion project continues to be the preferred option for meeting Northwest supply needs under a range of system conditions” (see **Attachment 2 of Exhibit B, Tab 2, Schedule 1**). Subsequent to this, the Minister of Energy on December 4, 2017² wrote:

“The Government of Ontario continues to support this project to ensure long term supply stability in the Northwest... The IESO’s updated needs assessment affirms that the EWT is an appropriate transmission priority.”

This Application ensures that electricity supply needs of Northwestern Ontario are met with the least possible socioeconomic and financial cost to Ontario transmission customers.

In addition to the aforementioned, in order to facilitate the line component of the EWT Project, referred to in this Application as the Lake Superior Link Project, Hydro One will upgrade three transformer stations connected to this line. Details pertaining to the need of that EWT Station Project are outlined in EB-2017-0194.

¹ Exhibit B, Tab 1, Schedule 1, Attachment 1.

² Exhibit B, Tab 3, Schedule 1, Attachment 2

Indigenous Communities

1.0 INTRODUCTION

Hydro One recognizes the importance of engagement with Indigenous (First Nations and Métis) communities in connection with the Lake Superior Link Project. The following sets out Hydro One's process for engaging with Indigenous communities who may be affected by the Lake Superior Link Project.

2.0 IDENTIFICATION AND CONSULTATION WITH INDIGENOUS COMMUNITIES

Hydro One confirms that the Crown has a duty to consult, and where appropriate, accommodate Indigenous peoples whenever a Crown decision or activity could impact established or asserted Indigenous and treaty rights. Procedural aspects of the Crown's duty to consult Indigenous peoples can be delegated by the Crown to Hydro One.

By a letter dated November 7, 2017, Hydro One sought direction from the Crown (Ministry of Energy) regarding the scope of Indigenous consultation on the Lake Superior Link Project. Hydro One has not yet received a response from the Ministry of Energy.

Hydro One asked the Ministry of Energy to consider whether the Project will require consultation with Indigenous communities and, if so, whether the Crown will delegate the procedural aspects of its constitutional duty to consult to Hydro One. If the Crown does the delegation, Hydro One requested the Ministry of Energy to provide an exhaustive list of Indigenous communities that must be consulted on the Project and to indicate the depth of consultation required for each community. For reference, Hydro One understands that the following list of communities was previously identified by the Crown in relation to the Project:

- 1 1. Animbiigoo Zaagi'igan
- 2 2. Biinjitiwaabik Zaaging
- 3 3. Bingwi Neyaashi
- 4 4. Fort William First Nation
- 5 5. Ginoogaming First Nation
- 6 6. Long Lake No.58 First Nation
- 7 7. Michipicoten First Nation
- 8 8. Missanabie Cree First Nation
- 9 9. Ojibways of Batchewana
- 10 10. Ojibways of Garden River
- 11 11. Ojibways of Pic River
- 12 12. Pays Plat First Nation
- 13 13. Pic Moberg First Nation
- 14 14. Red Rock Indian Band
- 15 15. Greenstone Métis Council
- 16 16. Superior North Métis Council
- 17 17. Thunder Bay Métis Council
- 18 18. Red Sky Independent Métis Nation
- 19 19. Métis Nation of Ontario

20
21 Hydro One expects the Ministry of Energy to confirm whether the Indigenous
22 communities listed above will change as a consequence of Hydro One's proposed
23 approach to parallel or utilize Hydro One's existing transmission line rather than to
24 create a new corridor through relatively undisturbed lands.

25
26 Hydro One entered into a Memorandum of Understanding (MOU) with the Ministry of
27 Energy in 2016 regarding the delegation of the duty to consult. The purpose of the MOU
28 is threefold:

29

- 1 1. Formalize the delegation of certain procedural aspects of consultation for
- 2 identified projects;
- 3 2. Specify the roles and responsibilities of the Crown and Hydro One with respect
- 4 to consultation; and
- 5 3. Provide mechanisms for effective communication and coordination between the
- 6 Crown and Hydro One relating to consultation on identified projects.

7

8 Presently, the only project identified in the MOU is the Northwest Bulk Transmission
9 Line Project. If necessary, the parties will need to amend the MOU to include the
10 Project.

11

12 **3.0 ENGAGEMENT PROCESS FOR INDIGENOUS COMMUNITIES**

13

14 Hydro One's Indigenous engagement process is designed to provide relevant project
15 information to Indigenous communities proximate to the Project and identified by the
16 Crown in a timely manner. The process enables affected Indigenous communities to
17 review, consider and raise issues, concerns and questions they may have with the
18 Project. The process also allows Hydro One to respond to any concerns or questions
19 raised in a clear and transparent manner throughout the EA review processes.

20

21 The following engagement process will be implemented if Hydro One becomes the
22 designated transmitter with authority to build the line:

- 23 • Written notification to Indigenous communities identified by the Crown at the
24 early stage of the Project;
- 25 • Sharing project-related information, including the need and nature of the Project
26 and ensuring that all publicly available information is also shared with
27 Indigenous communities;

- 1 • Identifying Indigenous community concerns, issues and questions about the
2 Project and responding in a timely manner;
- 3 • Sharing information on the Board's regulatory processes, any applicable
4 environmental assessment requirements and processes, and any other decision-
5 making processes applicable to the Project;
- 6 • Recording all forms of engagement with affected Indigenous communities,
7 maintaining a record of the concerns and issues raised therein regarding the
8 Project and Hydro One's responses thereto; and
- 9 • Advising the Crown of any assertions of potential impacts of the Project on
10 Aboriginal and treaty rights, and seeking appropriate Crown direction.

11

12 Hydro One has not yet engaged with affected Indigenous communities to discuss the
13 details of participation in the Lake Superior Link Project. A transmitter's ability to
14 expeditiously and cost effectively develop and construct a new line in Ontario depends
15 not only on completion of the engineering but also on the ability to build broad-based
16 community support for the project, including with affected Indigenous communities.
17 Over the years, Hydro One has developed respectful working relationships with several
18 Indigenous communities in the Project area. Hydro One invited elected leaders from
19 the First Nation communities it serves in February 2017 and all the Council Presidents of
20 the Métis Nation of Ontario in May 2017, to engagement sessions to discuss matters of
21 mutual interest and processes to address common issues. Hydro One will be hosting its
22 second First Nations engagement session on February 21, 2018 in Chippewas of Rama
23 First Nation and has invited elected officials from the 88 First Nation communities Hydro
24 One serves. These engagement sessions, along with Hydro One's ongoing engagement
25 activities, have strengthened Hydro One's overall relationship with Indigenous
26 communities in Ontario.

27

1 Once engaged on the Project, Hydro One will explore and discuss various benefits,
2 including, but not limited to, capacity funding to participate in the engagement process,
3 procurement and subcontracting opportunities, job training, employment and equity
4 participation. As part of this Application, Hydro One is requesting to receive a minimum
5 of 45 days to negotiate any necessary agreements with Indigenous Communities upon
6 approval of this Application. Hydro One would be amenable to providing a status report
7 on these negotiations should the Board require the information.

Ministry of Energy

77 Grenville Street
6th Floor
Toronto ON M7A 2C1

Tel: (416) 314-2599

Ministère de l'Énergie

77 rue Grenville
6^e étage
Toronto ON M7A 2C1

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Indigenous Energy Policy

VIA EMAIL

March 2, 2018

Daniel Charbonneau
Senior Manager, Indigenous Relations
Hydro One Networks Inc.
483 Bay Street
Toronto, Ontario M5G 2P5

Re: East-West Tie Line

Dear Mr. Charbonneau:

Thank you for your letter dated November 7, 2017 requesting clarification from the Ministry of Energy on the Duty to Consult requirements for the East West Tie Line (Lake Superior Link).

Your letter states that the preliminary scope of the project consists of a new 398 kilometer, 230 kilovolt double-circuit transmission line along the northern shore of Lake Superior between Wawa and Thunder Bay. The proposed project would parallel the existing Hydro One tie between Lakehead Transmission Station and the Wawa Transmission Station.

The Ministry of Energy has reviewed the information provided relative to its current understanding of the interests of First Nation and Métis communities in the area and has determined that it may have the potential to affect First Nation and Métis communities who hold or claim Aboriginal or treaty rights protected under Section 35 of Canada's *Constitution Act* 1982.

The Ministry of Energy is delegating the procedural aspects of consultation and the Ministry of Energy expects that Hydro One will undertake the procedural aspects of consultation, consistent with the responsibilities outlined in the Memorandum of Understanding (MOU) signed between Ontario, represented by the Minister of Energy, and Hydro One, in September 2016. Please note that these consultation obligations are in addition to the consultation requirements imposed under the *Environmental Assessment Act* and further

clarified in the 'Consultation in Ontario's Environmental Assessment Process' Code of Practice as well as the 'Preparing and Reviewing Environmental Assessments in Ontario' Code of Practice.

Per section 8.1 of the MOU, the MOU and Schedule 'A' may be amended in writing at any time by the agreement of the Parties. The Ministry of Energy proposes an amendment to the MOU to include the following project description:

2. East West Tie Transmission Line (Lake Superior Link)

The East West Tie Transmission Line Project is added to this schedule consistent with the 2013 Long-Term Energy Plan, the Order in Council 326/2016 and the December 2017 Updated Assessment of the Need for the East-West Tie Expansion conducted by the IESO, which confirms the East-West Tie, a new transmission line roughly parallel to the existing transmission line that extends between Wawa and Thunder Bay, as the recommended option for maintaining a reliable and cost-effective supply to Northwest Ontario for the long term.

Per Sections 2.2(c) and 3 of the MOU, the Ministry of Energy also wishes to clarify that for the purposes of the Environmental Assessment under Part II of the *Environmental Assessment Act*, the Ministry of the Environment and Climate Change assumes primary responsibility, on behalf of the Crown, for items (c), (d), (e), (g), (h) under Section 3.2 of the MOU.

Based on the Crown's assessment of First Nation and Métis 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:

Community	Mailing Address
Animbiigoo Zaagi'igan Anishnaabek First Nation (Lake Nipigon Ojibway)	204 Main Street, PO Box 120 Beardmore, ON P0T 1G0
Biinjitiwaabik Zaaging Anishinaabek First Nation (Rocky Bay)	General Delivery MacDiarmid, ON P0T 2B0
Biigtigong Nishnaabeg	PO Box 193, 78 Pic River Road Heron Bay, ON P0T 1R0
Bingwi Neyaashi Anishinaabek (Sand Point First Nation)	146 S. Court Street Thunder Bay, ON P7B 2X6
Fort William First Nation	90 Anemki Place, Suite 200 Fort William First Nation, ON P7J 1L3
Ginoogaming First Nation	PO Box 89, 101 Poplar Crescent Long Lac, ON P0T 2A0
Long Lake #58 First Nation	209 Otter Street, PO Box 609 Long Lac, ON P0T 2A0
Michipicoten First Nation	107 Hiawatha Drive, Box 1, Site 8, RR#1 Wawa, ON P0S 1K0
Missanabie Cree First Nation	174B, Hwy. 17E, Bell's Point Garden River, ON P6A 6Z1
Ojibways of Batchewana	236 Frontenac Street, Rankin Reserve 15D

	Sault Ste. Marie, ON P6A 5K9
Ojibways of Garden River	7 Shingwauk Street Garden River, ON P6A 6Z8
Pays Plat First Nation	10 Central Place Pays Plat, ON P0T 3C0
Pic Mobert First Nation	PO Box 717 Mobert, ON P0M 2J0
Red Rock Indian Band (Lake Helen)	Box #1030 Nipigon, ON P0T 2J0
MNO Greenstone Métis Council*	PO Box 825, 211-401R 4th Ave Geraldton, ON P0T 1M0
Red Sky Métis Independent Nation	406 East Victoria Ave Thunder Bay, ON P7C 1A5
MNO Superior North Shore Métis Council*	26 Princess Street Terrace Bay, ON P0T 2W0
MNO Thunder Bay Métis Council*	226 May Street South Thunder Bay, ON P7E 1B4

** Please copy MNO head office on correspondence to MNO regional councils:

Métis Consultation Unit
Métis Nation of Ontario Head Office
500 Old St. Patrick Street, Unit D, Ottawa, Ontario, K1N 9G4
Fax: (613) 725-4225

This rights-based consultation list is based on information that is subject to change. First Nation and Métis 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 First Nation and/or Métis communities to be notified and/or consulted. If you become aware of potential rights impact on communities that are not listed above at any stage of the consultation and approval process, kindly bring this to the attention of the Ministry of Energy with any supporting information regarding the claim. The Ministry of Energy will then assess whether it is necessary to include the community on the rights-based consultation list above.

If you have any questions about this letter or require any additional information, please contact Shannon McCabe at 416-212-6704 or shannon.mccabe@ontario.ca

Sincerely,



Samir Adkar
Director
Energy Networks and Indigenous Policy

C: Elise Cross Director, Environmental Services Hydro One Networks Inc.

1 MS. LEA: You will need to speak up, because it is
2 very difficult to hear you at this point.

3 MR. ESQUEGA: Can you hear me now?

4 MS. LEA: Sort of. The louder you can make it and if
5 you cannot use a speaker-phone, these two things seem to
6 help.

7 MR. ESQUEGA: Unfortunately, I don't have a regular
8 handset handy here, so I am on a speaker phone.

9 MS. LEA: You are a bit louder now, sir, so keep that
10 up, please.

11 **QUESTIONS BY MR. ESQUEGA:**

12 MR. ESQUEGA: Okay. So I'll continue on with -- just
13 to remind you I, represent Biinjitiwaabik Zaaging
14 Anishinaabek, one of the intervenors in this proceeding.

15 And just to follow-up on the budgetary discussions
16 that we've been having here for a while now today, I want
17 to follow-up specifically with respect to with respect to
18 the consultation budget that you set out in your materials,
19 in your application evidence, Exhibit B, tab 7, schedule 1,
20 pages 3 and 5.

21 Actually, if we start at page 1 of that schedule,
22 schedule 1, it talks about the total project costs for this
23 project is going to be \$636 million; is that right,
24 referring to table number 1.1?

25 MS. GOULAIS: That's correct.

26 MR. ESQUEGA: And that's still the number that's being
27 used today.

28 And if we turn over to page 3, we have table 2, and

1 this is the development cost table, right?

2 MS. GOULAIS: Correct.

3 MR. ESQUEGA: And there is a line item there
4 specifically for First Nation and Métis consultations; do
5 you see that?

6 MS. GOULAIS: Yes.

7 MR. ESQUEGA: My understanding is that that line item
8 is 1.1 million, approximately.

9 MS. GOULAIS: Correct.

10 MR. ESQUEGA: On the next page, we go over to page 5,
11 we have another line item about halfway through table 3,
12 and this includes construction costs. And again for First
13 Nation and Métis, it is 1.1 million again.

14 MS. GOULAIS: Correct.

15 MR. ESQUEGA: So if we add those two numbers up, then
16 we get to about 2.2 million that has been earmarked for
17 First Nation and Métis for this project, is that right?

18 MS. GOULAIS: That's correct.

19 MR. ESQUEGA: Okay. And out of that amount, is there
20 -- has there been any other funds set aside for
21 participation specifically?

22 MS. GOULAIS: Mr. Esquega, it is Christine Goulais.
23 I'm going to answer your question, but I just want to make
24 sure I am being respectful.

25 Is the Chief on the phone?

26 MR. ESQUEGA: No, he is not present any longer.

27 MS. GOULAIS: Okay. Thank you. So your question was
28 about the cost, the 2.23 -- 2.2 million that you've

1 identified, which is the correct math. There are also
2 other embedded costs in our construction costs that would
3 be dedicated to First Nations and Métis participation as
4 well. They are just not identified as such when you look
5 at these two tables.

6 MR. ESQUEGA: Okay. So perhaps, could I get an
7 undertaking from you to identify exactly all costs that
8 have been allocated towards First Nation consultation and
9 participation specifically?

10 MS. GOULAIS: So Mr. Esquega, that would be difficult
11 to do, only because there's not -- I was just -- the pause
12 was because I was having a bit of a discussion with our
13 construction partner, SNC-Lavalin.

14 When I said that there are some embedded costs in the
15 -- in the construction -- on the construction side from the
16 First Nations and Métis participation perspective, you
17 know, there -- we are intending and dedicated to looking at
18 maximizing Indigenous opportunities from a contracting and
19 procurement perspective, and so there isn't a particular
20 amount that we would allocate to that, because we would
21 want to maximize what those opportunities could look like,
22 so it would be difficult for us to put an amount around
23 what that would look like, given we haven't really had an
24 opportunity to fully understand who, for example, those
25 Indigenous businesses and contractors are that we could
26 work with and what they could provide on this particular
27 project, but what we can say is that we have every
28 intention of maximizing the participation of those

1 Indigenous businesses on this project.

2 MR. ESQUEGA: Okay, I just asked this question because
3 yesterday I spent some time with the witness from
4 NextBridge, and in their materials, as you are likely
5 aware, they have been able to specifically earmark a
6 consultation budget of \$13 million in total for their
7 project, and for your project I see 1.1 million.

8 Can you explain why there would be such a disparity --
9 there's a difference between those two budgets --

10 MS. GOULAIS: So in --

11 MR. ESQUEGA: -- consultation specifically?

12 MS. GOULAIS: Sure, on the consultation piece, as
13 we've talked -- or discussed -- took quite some length over
14 the last couple of days, Hydro One's time frame is much
15 shorter, and the consultation aspect of our project we
16 budgeted within those time frames that we've identified in
17 our evidence.

18 Again, you know, as Ms. Croll and I have shared over
19 the last couple days, we are intending to utilize
20 information that is available to us both on the
21 environmental assessment as well as on the consultation.
22 We are not looking to duplicate efforts, resources, costs,
23 or people's time. We really do want to make sure that we
24 are utilizing, of course in a respectful way, all of the
25 information available to us.

26 And again, I just want to reiterate that the First
27 Nation and Métis participation costs that are embedded in
28 our construction costs, although we don't have a specific

1 number to share, we can -- we can say that those -- we --
2 our construction partner, SNC, as well as Hydro One, is
3 looking to maximize those opportunities, which could go
4 above -- could go above what we -- what we would ever
5 imagine them to be, so it would be really hard to put some
6 parameters around what that would look like.

7 MS. CROLL: If I could add to that, I think we have to
8 understand too that of the 400-kilometre route that Hydro
9 One is proposing, 80 percent of that -- almost 80 percent
10 of that is shared with the NextBridge route, and there has
11 been significant consultation completed.

12 Now, we're not suggesting we rely on all of that. We
13 do plan to undertake our own consultation even on the
14 shared portions of the route, but when it comes to impacts
15 and accommodation, we would expect that because our impacts
16 are considerably less, whether it is the footprint area or
17 the tower design, that what we're really looking for is
18 anything different than what's identified as a mitigation
19 or accommodation in the existing EA, so we would be,
20 through using that EA, committing to follow any mitigation
21 measures or agreements that are made and then really
22 looking for differences in the scope where we may have more
23 of an impact.

24 And in fact, we expect to have significantly less,
25 especially in the footprint area which we've heard from our
26 Indigenous communities, the land that they value, and we
27 hope that there would be a value proposition in showing
28 that we could reduce the footprint we are using for our

1 project.

2 MR. ESQUEGA: We've heard in this proceeding from
3 several witnesses, including my client, Chief Hardy, who is
4 here, and also the other Chiefs and the other
5 representatives for the Métis Nation, that consultation is
6 going to require a big effort from Hydro One, and they
7 don't expect you to not show up and simply review documents
8 and say that you've -- that's for a job you usually
9 consult, so how can you reconcile that position from the
10 First Nations from your proposed approach of relying upon
11 information that may be available on the public record?

12 MS. CROLL: So to be clear, we would be fully
13 consulting on the portions of the route that are new, and
14 that would be the park and approaches, keeping in mind that
15 our impacts in the park are quite minimal because we are
16 not widening the corridor or undertaking any cutting.

17 That said, we'll certainly be doing the same study
18 that we would in approaches to the park, and we're not
19 suggesting that we just -- all we have to do is review a
20 few documents, but what we would expect is that we wouldn't
21 want to create an unnecessary resource strain on
22 regulators, interested parties, Indigenous communities,
23 redoing from scratch everything that has already been
24 discussed before. That is not to say we won't still
25 consult on the entire line.

26 MR. ESQUEGA: And we've also heard from many of the
27 representatives that there has been some negotiations that
28 have gone on and some of this is strictly confidential, so

1 how do you propose to get around the confidentiality issue
2 to get access to the information in order to fulfill your
3 duty to consult?

4 MS. GOULAIS: So again, we are, you know, we are not
5 privy to what those confidentiality agreements look like.
6 What we can say and can commit to is sharing information on
7 our project, offering to meet, and undertaking that
8 consultation and having those discussions around what the
9 accommodation measures may look like.

10 You know, there -- we fully appreciate that it's not a
11 matter of reviewing existing information and taking what's
12 available to us. We fully appreciate that we need to be
13 not only working with the elected officials such as the
14 Chiefs in the communities, but spending time in
15 communities, understanding what their questions and
16 concerns are. You know, looking at supporting community
17 consultation coordinators in each of the communities to
18 help with the burden that we know many First Nations
19 experience from a capacity perspective.

20 We know that communities like yours or like Chief
21 Hardy's community gets 100 letters a month from various
22 proponents and just really doesn't have the resources or
23 capacity to sift through those.

24 You know, opportunities of having a consultation
25 coordinator in each community to help not only Hydro One
26 but the community to be able to fully engage and consult on
27 this project is something that we would really like to
28 initiate with each and every community.

1 We understand that communities are under-resourced
2 from a capacity perspective when it comes to having the
3 appropriate legal or other advisory services, and, you
4 know, we would be looking to support communities in that
5 nature, so I just want to expand on Ms. Croll's comment
6 around, we -- although there are -- should be information
7 available to us, we don't -- we fully appreciate that
8 there's additional ongoing consultation that has to happen
9 with each and every community, and we do have every
10 intention of -- and have offered that, and would really
11 welcome the opportunity to sit down and have a conversation
12 with leadership as well as community members about how we
13 can work together going forward and what resources and
14 capacity the community would require that Hydro One can
15 offer.

16 MR. ESQUEGA: I believe in this proceeding you've been
17 directed to consult with 18 First Nation communities; is
18 that right?

19 MS. GOULAIS: That's correct.

20 MS. ESQUEDA: Plus the Métis Nation of Ontario?

21 MS. GOULAIS: Yes, so we've been directed by the Crown
22 to consult with 18 communities and to keep the Métis Nation
23 of Ontario informed on what we're doing with the Métis.

24 MR. ESQUEGA: And when we add up those numbers and
25 divide that by the 2.2 million we only get to 115,000 per
26 community and you are talking about wanting higher capacity
27 for each First Nation. You are going to need to attend
28 meetings, you are going to need to spend money to get

1 people together.

2 I don't see how you can make \$115,000 work with 19
3 communities, with all due respect, and I'd like to hear how
4 you plan on doing that in such a short timeframe as well.

5 MS. GOULAIS: So again I think what I -- my answer to
6 that is understanding what each community's needs are, how
7 they want to be consulted and how we can move forward
8 together, I think is probably the best place for us to
9 start. And what we'd hoped to have initiated by sending
10 notification letters -- we understand that the timelines
11 are shorter and those are concerns that the communities
12 have, and we do want to work with communities. I think
13 making assumptions about what each community needs is
14 probably not the best thing. But based on my experience, I
15 can share that I think the capacity funding that we've
16 considered for communities allows us some flexibility to
17 have those conversations around what their needs are, and
18 to be able to fully understand those.

19 MR. ESQUEGA: It appears that just from what we see
20 here, that the ratepayers' interests are taking priority
21 over the duty to consult and accommodate First Nations and
22 Métis people. Wouldn't you agree that that's the
23 appearance we get here from this type of budget?

24 MS. GOULAIS: I would not agree with that.

25 MR. ESQUEGA: And the whole package is being sold as a
26 ratepayers savings, but yet you are not even coming close
27 to what NextBridge has spent and has committed to spend
28 here.

1 MS. CROLL: I would just add that it is not just about
2 the economic savings. Again, I would emphasize the much
3 lower environmental footprint and across the entire
4 project, a reduction of 50 percent in the land area
5 affected, which we think is significant, and especially the
6 ability to twin our existing corridor on the approaches to
7 the park and to not have to widen that corridor is a
8 significantly less environmental impact, which is also a
9 consideration when evaluating a project and we hope is of
10 value to Indigenous peoples as well.

11 MR. ESQUEGA: But the Indigenous peoples' rights
12 extend beyond the park. Their traditional lands are all
13 the way along that corridor.

14 MS. CROLL: That's correct, I'm speaking about the
15 entire corridor. So for the entire area of the project,
16 again, when I talk about a 50 percent reduction in the
17 footprint, I'm talking about the entire route comparison.

18 Within the park itself, it's 100 percent reduction
19 because we are not widening the corridor at all. So that's
20 what I was referring to.

21 And we're not just suggesting that the interest is
22 within the park area; we realize the interest is along the
23 entire project route.

24 MR. ESQUEGA: Would you agree that your budget is
25 perhaps a little bit short in terms of the consultation
26 budget?

27 MS. GOULAIS: Again, as I said, there are some
28 embedded costs in our construction cost analysis that makes

1 it a little bit difficult, I think, to do an apples to
2 apples comparison.

3 MR. ESQUEGA: Now, with respect to consultation with
4 BZA specifically, we know that there's at least -- the
5 chief makes reference to one letter in his affidavit. And
6 earlier today in his testimony, he said that's the only
7 letter that he's received with respect to consultations; is
8 that right?

9 MS. GOULAIS: The April 30th letter addressed to Chief
10 Hardy is the only letter that's been sent to date, correct.

11 MR. ESQUEGA: Today we heard some testimony and some
12 questions with respect to a letter of April 18th to Ms.
13 Kate Kempton. Do you recall those discussions?

14 MS. GOULAIS: I do.

15 MR. ESQUEGA: In her letter, on the second page, there
16 is reference to communities that are you are going to
17 engage with that are less directly affected.

18 MS. GOULAIS: Yes, I'm aware of the letter.

19 MR. ESQUEGA: Have you defined BZA as a community that
20 is less directly affected?

21 MS. GOULAIS: Well, I would say that we are
22 undertaking our consultation based on direction from the
23 Crown, which indicates all 18 communities as rights-based
24 communities.

25 And so we are undertaking consultation with those
26 communities as such.

27 MR. ESQUEGA: Has the Crown defined my client as being
28 less directly affected by this line?

1 MS. GOULAIS: No.

2 MR. ESQUEGA: In fact, you would never be able to
3 determine that without consulting with them, right?

4 MS. GOULAIS: Determination of impacts of a project
5 are made through the consultation process, and that's the
6 purpose of the consultation process, you are absolutely
7 right, is understanding what the impacts are of a
8 particular project.

9 MR. ESQUEGA: That's right. And even though BZA is
10 not directly beside the power line or adjacent to it, we
11 know from Chief Hardy's evidence that they are quite close.
12 In fact, they're 50 or 60 kilometres away, and that would
13 certainly suggest that this is perhaps in their traditional
14 territories. Would you agree?

15 MS. GOULAIS: I'm not -- I'm somewhat familiar with
16 the traditional territory of Chief Hardy's community, but
17 I'm not exactly sure what those boundaries are.

18 But I would say that, you know, Hydro One does intend
19 to undertake consultation with your community, based on the
20 delegation of Crown consultation -- sorry, the Crown's
21 delegation of consultation.

22 MR. ESQUEGA: But you have nothing to dispute the
23 evidence of Chief Hardy that this is within his traditional
24 territory?

25 MS. GOULAIS: That's correct.

26 MR. ESQUEGA: Now, you've mentioned in the package
27 here and the evidence that this economic incentive can be
28 superior or better for the First Nations if they go with

1 you as opposed to NextBridge, right?

2 MS. GOULAIS: Yes, we did file that as part of our
3 evidence, yes.

4 MR. ESQUEGA: At least for the BLP First Nations, we
5 see that they have a better deal from your perspective; is
6 that right?

7 MS. GOULAIS: The equity offer to the Bamkushwada
8 First Nation are identified in our evidence, yes.

9 MR. ESQUEGA: And Mr. Henderson asked you a number of
10 questions earlier today about a letter that his client
11 received, which didn't talk about economic benefits per se.
12 Do you remember that?

13 MS. GOULAIS: I do.

14 MR. ESQUEGA: When we look at the letter to Chief
15 Hardy, Chief Hardy's letter is very, very similar to what
16 Mr. Henderson's client received. It doesn't talk about
17 economic benefits either; is that right?

18 MS. GOULAIS: It doesn't explicitly say "economic
19 benefits."

20 MR. ESQUEGA: Not like the other communities who did
21 receive those types of comments in their letters?

22 MS. GOULAIS: So I think I'd answer your question the
23 same way I answered Mr. Henderson's questions around our
24 letter that you are referring to of April 30th, I
25 believe -- I'm just going to check here. Yes, April 30th.

26 You know, we talk about benefits to our project that
27 include, but are not limited to things like capacity
28 funding, contracting and employment opportunities, which

1 I've sort of talked a little bit about, you know.

2 Economic participation from Hydro One's perspective,
3 and based on my experience, can take many, many forms. We
4 talked a little bit about training employment earlier
5 today, and I'm not sure if you were on the phone yesterday
6 when the Bamkushwada chiefs were talking about the current
7 and ongoing training for over 250 members of various
8 Indigenous communities. I'm assuming some of them are from
9 your community, you know.

10 So economic benefits can be in the form of continuing
11 those training opportunities, hiring those folks to do some
12 work, if not only on this project, but other Hydro One-
13 related projects. Contracting, of course, I talked a
14 little bit about today, maximizing opportunities for those
15 Indigenous businesses that have supplies, resources, and
16 opportunities -- and ways in which they can support this
17 project.

18 So, those are various forms of economic participation
19 that we would be -- that Hydro One is prepared to offer and
20 have conversations with First Nations like your community
21 on this particular project.

22 MR. ESQUEGA: I guess my question gets back to you
23 very specifically, as Mr. Henderson put it to you, that in
24 the other letters, they talk about these specific economic
25 benefits and when you refer to the letter to Chief Hardy,
26 it doesn't get into that type of language.

27 And I'm just wondering, and perhaps you could
28 undertake to let me know, whether or not those other

1 economic benefits you are talking about right now would be
2 available to BZA. And specifically, we want to know
3 whether or not equity and revenue sharing economic benefits
4 will be available to BZA, as they have been presented to
5 the BLT communities, for example.

6 MR. GOULDEN: I'll answer your question in two parts.
7 The first answer with relation to training, employment,
8 procurement opportunities, capacity funding, those
9 opportunities will be made available to all impacted
10 communities on this project.

11 In terms of the equity participation, that is an
12 undertaking that we will have to take in terms of
13 understanding whether or not that is an opportunity that
14 would be available to communities outside of the
15 Bamkushwada communities.

16 MR. ESQUEGA: I am just curious, why wouldn't it be if
17 it is in -- the project's in BZA's traditional territory?

18 MS. GOULAIS: So the -- in the initial 2013
19 designation proceeding, the Bamkushwada communities were
20 identified as the mostly-impacted communities and being in
21 the most close proximity to the project, which was the
22 rationale for including them as -- or having an equity
23 participation opportunity for them, given that they are in
24 such close proximity to the project. So that was the
25 initial rationale for that -- for that distinction.

26 Again, we had understanding that those communities --
27 those six communities are in the most close proximity to
28 the project, also influenced our decision to reach out to

1 them in -- in -- sorry, the day after we filed our section
2 92 to make them aware of that.

3 So as I mentioned, I think we had committed to an
4 undertaking earlier today. It sounds like the same
5 undertaking as we had committed to for the Métis Nation of
6 Ontario as to whether or not equity participation would be
7 made available to any other community impacted by this
8 project.

9 MR. ESQUEGA: What made that determination in 2013?

10 MS. GOULAIS: I'm sorry, I didn't hear the question.

11 MR. ESQUEGA: You said in 2013 a determination was
12 made as to what communities were most adversely affected
13 and who should be offered equity. Who made that
14 determination?

15 MS. GOULAIS: I would have to go and look for that
16 information. I don't know. I wasn't -- I mean, I'd have
17 to take it as an undertaking to understand how that
18 determination was made.

19 MR. ESQUEGA: Was it Hydro One who made that
20 determination?

21 MS. GOULAIS: I don't know.

22 MR. ESQUEGA: Yes, I would like that undertaking,
23 please. Let me know who, in 2013, made the determination
24 as to who was most adversely affected and who was entitled
25 to an equity portion of this project.

26 MR. LAVAE: That would be Undertaking JT2.27.

27 **UNDERTAKING NO. JT2.27: HYDRO ONE TO ADVISE WHO, IN**
28 **2013, MADE THE DETERMINATION AS TO WHO WAS MOST**

1 **ADVERSELY AFFECTED AND WHO WAS ENTITLED TO AN EQUITY**
2 **PORTION OF THIS PROJECT.**

3 MS. LEA: Anything further, Mr. Esquega?

4 MR. ESQUEGA: And the other undertaking that was given
5 just before we got into that was with respect to whether or
6 not BZA would be entitled to have any equity or revenue-
7 sharing opportunities in this project as well.

8 MS. LEA: Was that included in a previous undertaking
9 that you gave, which was to indicate, in general, whether
10 other communities besides BLP were to be offered equity
11 participation? Was that a general undertaking that you
12 gave to Ms. Strachan?

13 MS. GOULAIS: I believe the undertaking was
14 specifically for the Métis Nation of Ontario.

15 MS. LEA: So this -- an undertaking -- I'm sorry?

16 MR. ESQUEGA: That's right, and Mr. Henderson asked
17 for the specific undertaking for Batchewana, and now I'm --

18 MS. LEA: Okay.

19 MR. ESQUEGA: -- asking for the same undertaking with
20 respect to Biinjitiwaabik Zaaging Anishinaabek.

21 MS. LEA: Is that an undertaking then that you will
22 agree to provide?

23 MS. GOULAIS: Yes.

24 MS. LEA: Thank you. If we could have a number.

25 MR. LAVAE: So that would be JT2.28.

26 **UNDERTAKING NO. JT2.28: HYDRO ONE TO LIST**
27 **OPPORTUNITIES AVAILABLE TO BIINJITIWAABIK ZAAGING**
28 **ANISHINAABEK, AS MR. HENDERSON EARLIER ASKED FOR WITH**

1 **RESPECT TO BATCHEWANA.**

2 MS. LEA: Thank you. Anything further, sir?

3 MR. ESQUEGA: Thank you.

4 Another issue that has come up in this proceeding is
5 with respect to declaration orders and how it could be used
6 to overcome a full environmental assessment process, and I
7 guess one of the issues I've seen that arise from your
8 material at page 8 of your May 7 submission is the fact
9 that you assert that any environmental impacts will be
10 minimal, as one of your [audio dropout]

11 MS. CROLL: All right, so I think we were referring to
12 that in terms of -- as compared to the NextBridge
13 undertaking, so we're not suggesting that the project
14 itself has minimal impacts. What we're saying is that the
15 effects of our change in routing would be minimal. In
16 fact, we expect they would provide less impact to the
17 environment and be of benefit.

18 MR. ESQUEGA: But my understanding is that in order to
19 get such a declaration from the minister, the minister is
20 not looking at apples and oranges, the minister is looking
21 at everything to see whether or not the project itself will
22 be minimal, the impacts would be minimal.

23 MS. CROLL: So when the ministry would evaluate our
24 declaration order request, we would expect to have prepared
25 information for them to demonstrate that the impacts of the
26 shared route area, the 313 kilometres that are common to
27 NextBridge and Hydro One, would have already been assessed
28 and impacts and mitigation measures in place, and the

1 change to that would be, again, a much narrower footprint
2 and a different tower design, so that would be a reduced
3 environmental impact of that portion.

4 Now, our studies through the park at that point and
5 consultations would also need to demonstrate that we have
6 an understanding of the environmental impacts of the
7 project.

8 So keep in mind that the notes on page 8 support our
9 assertion that we are a good candidate for a declaration
10 order. Keep in mind there are four criteria that the MOECC
11 and the Minister would look at to determine whether we're a
12 good candidate for a declaration order, and we've discussed
13 three of those here.

14 MR. ESQUEGA: So in effect, you're going to try to
15 suggest that the -- that the environmental impacts are
16 minimal without actually doing the environmental study work
17 to prove that it's going to be minimal?

18 MS. CROLL: I think what I'm suggesting is that we
19 expect, given our proposed route and specifically the area
20 through the park where we're not widening the corridor at
21 all or undertaking any cutting, we would demonstrate that
22 the environmental effects of the project are already well-
23 understood.

24 So the reason behind a declaration order, as I
25 discussed earlier, it isn't to allow a proponent to not
26 conduct the studies or consultation that are required; it
27 is a procedural measure that would really, from my
28 understanding, be put in place when we've demonstrated that

1 we've fulfilled the requirements of the project, so that
2 being demonstrating that it's in the public interest,
3 showing that the environmental effects of our change to the
4 project are minimal, and demonstrating that the impacts of
5 the project overall have already been adequately assessed.

6 So we're suggesting that there's been a lot of work
7 already to adequately assess this project in the areas that
8 are shared with NextBridge on that shared route, but we do
9 recognize that we still have to conduct all of our own
10 studies and consultation essentially from the start for the
11 new area and then supplement what's been done by re-
12 consulting with communities, interested parties, Indigenous
13 communities along the route, to understand if there are any
14 additional concerns based on our changes to the project.
15 And again, those changes are not as wide a route and a
16 different tower design.

17 MR. ESQUEGA: Thank you. Those are my questions.

18 MS. LEA: Thank you very much, Mr. Esquega.

19 I'd just like to see where we're at. Mr. Zacher, are
20 you still looking at 30 minutes?

21 MR. ZACHER: I hope not.

22 MS. LEA: I'm not sure that --

23 MR. ZACHER: I promise I won't be 30 minutes.

24 MS. LEA: All right, and Mr. Murray, any thoughts on
25 how long you might be?

26 MR. MURRAY: I actually think my colleague Mr.
27 Lesychyn is going to have most of the questions, and I
28 think we still have a bit of time, but I'm not -- I don't

UNDERTAKING – JT 2.28

Undertaking

Hydro One to list opportunities available to Biinjitiwaabik Zaagin Anishinaabek, as Mr. Henderson earlier asked for with respect to Batchewana.

Response

Hydro One has been delegated the procedural aspects of the legal duty to consult by the Provincial Crown via the Ministry of Energy for the LSL project. As per this delegation, Hydro One is fully committed to undertake meaningful consultation and accommodation with all impacted Indigenous communities as identified by the Crown. The Biinjitiwaabik Zaagin Anishinaabek First Nation has been identified by the Crown for the purpose of undertaking the procedural aspects of the legal duty to consult on the LSL project. Hydro One would like to meet with all impacted Indigenous communities to discuss potential project impacts, accommodation and opportunities including economic such as procurement, training and employment resulting from the LSL project. Once engaged on the Project, Hydro One would consider accommodation measures such as, and without being limited to, equity participation with Indigenous communities as identified by the Crown, as well as capacity funding to participate in the engagement process, procurement and subcontracting opportunities, job training, and employment opportunities.

Hydro One understands that there are members of Indigenous communities who are currently completing project related skills training. Hydro One is committed to maximizing the employment of members from local Indigenous communities including those who have received or who are currently completing project related skills training. In addition, Hydro One is in a unique position to provide lasting employment opportunities throughout its network across the province for skilled Indigenous workers beyond the construction of the Lake Superior Link Project.

Hydro One and its construction partners SNC-Lavalin recognize the importance of having involvement and participation of Indigenous communities and businesses in the execution of the Lake Superior Link Project. Hydro One and SNC have a proud history of inclusion through employment and procurement of its projects and will be actively including qualified Indigenous suppliers and companies who have strong relationships with local Indigenous communities and businesses in its procurement of goods and services.

Hydro One is also committed to offering capacity for Indigenous communities to meaningfully participate in consultation; for example, hiring a community consultation

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Exhibit JT 2.1

Page 2 of 2

- 1 coordinator in each community to assist the community with coordinating consultation
- 2 activities, and legal/other required advisory services.

Date: January 15, 2018
Topic: Follow-up to December 8th Board Meeting, re: East West Tie
Submitted by: Greg Kiraly, Chief Operating Officer

Background

At the December 8, 2017 meeting, the Board discussed the strategic content of the proposed application for Leave to Construct (LTC) to the OEB. The Board did not approve at the meeting, and asked Management to consider alternatives based on the Board's feedback and questions and return with additional information and recommendation for consideration. The team has assessed a number of alternatives to mitigate the negative effect of the risk and associated uncertainties. All alternatives all have both risk and reward to be considered. This briefing touches on three key areas as follows:

1. Risk exposure to Hydro One regarding the Not-to-Exceed price;
2. Risk of Environmental Assessment approvals, and what that means to the not-to-exceed price;
3. Project commitment with uncertainty of First Nations partnerships.

This briefing provides information and recommended path-forward around these three key areas, and will be complemented by materials to be presented at the February meeting.

Not-to-Exceed Capital Cost

Management recommended a not-to-exceed price as a strategic differentiator to the NextBridge LTC submission, and strongly believes it would de-risk our bid being rejected by the OEB. Although Nextbridge's application is significantly higher cost, they are further advanced on the underlying project work and can offer an earlier completion date, having been selected for the development phase in 2013. A price-cap from Hydro One would likely be seen as a very attractive bid component for the regulator.

The Board expressed concern regarding the risk profile of the investment, particularly the potential for unrecovered costs given the number of uncertainties and the fixed price stipulation. The team has assessed a number of alternatives to mitigate the negative effect of the risk and associated uncertainties taking into account the fact that as the risk profile for unrecovered costs increases with the inclusion of price cap, but the risk of being rejected by the OEB also decreases. On the balance of our review, we intend to withdraw the price-cap component of our proposal. We will be returning to the Board in February to request the approval to submit the application for leave to construct, which will include our final assessment of risks and mitigation.

The proposed Hydro One LTC application to the OEB provides substantial benefits to customers as compared to the NextBridge LTC application in the form of both lower capital costs of over \$100million and lower on-going annual operation costs. The annual OM&A savings of \$5.6million, translates into an equivalent \$110million of capital savings when expressed on an NPV basis over a 30-year study period.

In the absence of the price-cap, Hydro One will continue to manage to a well-defined and tightly controlled project plan, targeting a delivery price of \$636 million utilizing fixed price lump-sum turn-key (LSTK) Engineer-Procure-Construct (EPC) contract with SNC-Lavalin.

Project Cost Comparison

During the December 8th board meeting, a number of large-scale transmission projects were referenced to demonstrate the potential for cost increase from initial approved amounts. A total project cost and variance analysis of the several referenced large scale transmission projects with cost variances has been completed and summarized below, with additional details in Appendix 1.

- Each project has its own set of circumstances and variance explanation, but on average they are at a 22% variance between the Initial Cost and Final Cost.
- Note that Final Cost in below table accounts for changes such as approved scope-change notices during project execution, as well as more impactful changes like re-routing, changes to contracting strategy, and in-flight design changes.

Project Name	<u>East West Tie (Hydro One)</u>	<u>East West Tie (NextBridge)</u>	<u>NTL Northwest BC Transmission Line (BC Hydro)</u>	<u>ILM Interior Lower Mainland Transmission (BC Hydro)</u>	<u>WATL Western Alberta Trans. Line (AltaLink)</u>	<u>EATL Eastern Alberta Trans. Line (ATCO)</u>	<u>Fort McMurray West Transmission (Alberta Powerline)</u>	<u>Bipole III (Manitoba Hydro) On-going</u>
INITIAL COSTS (\$M)	\$636 Target	\$737 target	\$561	\$602	\$1,499	\$1,665	\$1,430	\$3,300
FINAL COSTS (\$M)			\$736	\$743	\$1,699	\$1,900	\$1,600	\$4,600+
Variance (\$M)			\$175	\$141	\$200	\$235	\$170	\$1,300
Variance (%)			31%	23%	13%	14%	12%	39%+

Northwest BC Transmission Line (NTL) and Interior Lower Mainland (ILM) Projects had similar challenges that substantially drove project variances:

- Both contracts were initially planned under the BC Transmission Company (BCTC) entity and the concept was to utilise functional specifications and award as EPC contracts.
- During the course of the project, BCTC was re-integrated back into BC Hydro.
- The contracting strategy was changed mid-project in that BC Hydro introduced their own prescriptive standards and requirements which resulted in delay in the design period due to re-design, and changes to material and equipment to be procured
- BC Hydro introduced a requirement of live-line maintenance after the initial project budget was set. This modified the clearances and impacted the tower design, steel procurement, foundation design, line hardware. Equitable adjustments (schedule and cost) were claimed by the EPC contractor.
- On NTL, 76 structures had to be changed from lattice to monopole to fit within the revised route alignment.
- On NTL, the contracting strategy with corridor vegetation clearing was not done in a manner that drove efficient budget and schedule alignment. The clearing work was contracted directly to the FN Contractors by BC Hydro, with the contract between BC Hydro and FN Contractors. The work was project managed by the EPC contractor (Valard), but there was no tie-back to the EPC Contract. Hence corridor and access clearing requested by Valard to the FN Contractors was to BC Hydro account and wasn't being managed in an integrated cost-manner. Valard were also able to claim delays resulting from delays in the execution of the works by the FN Contractors.
- Specific to the ILM project, the general contractor (Graham-Flatiron JV) had no prior transmission line construction experience

Final cost variances on the **WATL, EATL and Fort McMurray West** projects were largely a result of changes in project evolution between the initially approved project amount, including routing changes following Environmental Assessment approvals and out-of-scope change notices approved by the utility.

The Manitoba Hydro Bipole III project has been a project with extensive changes driven largely by political forces, and has been the subject of multiple critical reviews.

- The transmission line routing was altered by the NDP government in power at the time, and resulted in a substantially longer route to the west of Lake Winnipeg as opposed to the original lower cost route to the east
- The Conservatives won a majority government in the spring 2016 election and immediately made substantial changes to the Manitoba Hydro board and executive. Boston Consulting Group was retained by the new Board to complete an independent review of contentious major capital projects, which is publicly available.
- The incoming chair of the Manitoba Hydro board is on record as saying "Rerouting the Bipole III transmission line down the west side of the province was obviously a wrong decision, one forced on [Manitoba] Hydro by the previous government, and has cost Manitobans an additional \$900 million."
- In-flight alternatives were assessed in 2016, but it was determined the lowest-cost option was to complete construction along the updated route. The project is still on-going and forecast to be completed in late 2018.

With respect to East West Tie, Hydro One and SNC-Lavalin have taken into account the lessons learned regarding other projects in developing the proposal for the EWT. The parties have been working together in a cost-shared collaborative and open-book manner throughout the entire project development phase, which has resulted in the following differences with some of the above referenced projects:

1. Clear engineering and construction solution built on a mature and stable project specification
2. Up-front clarity and agreement on design standards, material standards, and maintenance standards to minimize extension of design cycle and re-work
3. Clarity and commitment on contracting strategy with accountability and risk management clearly defined between SNC-Lavalin and Hydro One
4. Utilization of construction contractors who are experienced with transmission line construction
5. Hydro One's solution is a generally widening of existing corridor, which is inherently less risky than creating new corridor as was the case in several of the comparator projects.
6. A contingency of \$68 million (10.7%) is included within the project total, and built upon industry best-practice of risk definition and probabilistic modeling.
7. SNC-Lavalin has extensive experience in delivering LSTK EPC projects on a fixed-price basis. A letter from the President of their Power division is attached as Appendix 4, outlining their commitment.

In the event that a designated transmitter was to incur costs beyond their approved LTC, they may elect to seek cost recovery for the incremental amount from the OEB as per established regulatory process. Hydro One would plan to seek recovery for costs prudently incurred outside of our control including such things as force majeure events; scope changes driven by government or regulatory policy; archeological discovery; changes to import duties; commodity pricing & foreign exchange risk beyond November 2018. These will be articulated in our LTC application.

Cost Benchmarking Comparison

The project team has undertaken a benchmarking and comparison review of other large-scale 230kV transmission projects in Canada which are similar to the EWT. Supporting details are contained within Appendix 2, and the following key excerpts of the benchmarking review:

- The Hydro One EWT proposal has an EPC cost of \$1.34 million per kilometer
- Similar completed comparison projects, when normalized for such factors as material and labour costs, range from \$1.27 million to \$1.37 million per kilometer. The NextBridge submission is \$1.41 million per kilometer.
- After normalizing the other projects to a unitized basis, making index adjustments for material and labour costs, and applying these factors to the 400km length of the Hydro One proposed solution, the variance across the similar projects sits in a range of -\$31 million to +\$25 million, or a -6% to +5% spread compared to Hydro One. This is a tight range and gives confidence that our unitized EPC price is appropriate.

Environmental Assessment Approvals

Based on a review of past precedents and the current situation, we confirm that proceeding with the LTC application to the OEB is an acceptable risk to Hydro One, due to the following considerations:

- A LTC application can be filed prior to obtaining an approved Environmental Assessment (EA) from the Ministry of Environment & Climate Change (MOECC).
- Hydro One will clearly indicate in the LTC application that receipt of EA related approvals is a condition to our proposal and Hydro One's ability to meet the cost and schedule commitments. The Hydro One solution cannot proceed as described if there is no regulatory solution to meeting EA requirements.
- Regulatory options exist to allow Hydro One to utilize the EA work already completed by NextBridge, and address changes in proposed route, should our proposal be compelling enough to the Province. Additional information is provided in Appendix 3.

It is typical to file a LTC application prior to EA approval for this large transmission projects. NextBridge filed its LTC application on July 31, 2017, however, approval of the associated Individual EA is not anticipated until Q2 2018. It is likely that approval will be delayed longer, given that NextBridge is currently amending their EA. Hydro One is assuming Q2 2019 for EA approval for the Hydro One solution.

It should be noted that, in the case of the EWT, the Terms of Reference (TOR) prepared by NextBridge has already been approved by the MOECC, and include the route proposed by Hydro One. The original reference route proposed in the NextBridge TOR is actually the route through Pukaskwa National Park as proposed by Hydro One.

EA Approval as a Condition

Hydro One proposes to reduce the risk of cost recovery associated with delays in obtaining, or inability to obtain EA approval by clearly stating the nature of the EA dependency in the LTC application. Hydro One will be clear that receipt of EA related approvals is a condition of being able to meet the cost and schedule commitments. The project cannot proceed as described if there is no regulatory solution to meeting EA requirements for the proposed route and associated cost savings.

Hydro One will also outline to the OEB that if through the process to finalize the EA approvals, the MOECC were to impose substantial conditions, or mandate substantial changes that would impact Hydro One's price and schedule, we would submit to the OEB for their approval of the associated incremental costs. This instrument would be reserved for substantial changes that cannot be managed within project contingencies (i.e. route alterations). Approval for recovery of these costs would still be subject to OEB approval, but are viewed as low risk given they would have been mandated by another agency and the concept of additional costs due to EA obligations will be outlined in the LTC application.

First Nations Partnerships

Hydro One has not undertaken exchanges with Bamkushwada LP, the partnership formed by the directly affected First Nations communities, nor with Supercom Industries LP, its commercial arm, given the alleged exclusivity agreements with NextBridge. We will clearly indicate Hydro One's positive intentions on First Nations partnership without specific commercial details in our Leave to Construct submission to the OEB. We expect the OEB will be interested in considering the matter of First Nations partnerships on the overall context of the LTC process.

Regardless of any exclusivity agreements, Hydro One can begin the consultation process with First Nations, because consultation is a constitutional duty. If the OEB feels that Hydro One's proposal is compelling and in the interest of electricity customers, the OEB could elect to award to the LTC to Hydro One on a conditional basis, subject to reaching agreement with First Nations partners within a short period of time, say 45 days. This will be signalled in our LTC application.

The concept of conditions is not new to the OEB; the normal practice in granting LTC approvals is to include Conditions of Approval, which typically include that the applicant apply with the requirement of the Class EA. However, this concept of a condition associated with a Partnership agreement will be new.

It is Hydro One's view that the exclusivity agreements entered into between NextBridge and affected communities are anti-competitive, and not in the best interests of customers. Although the OEB does not have authority to nullify such agreements, our view is the OEB will not look kindly on them, and the OEB may be persuaded that NextBridge's entering into such agreements was not part of "development work" awarded by the OEB to NextBridge in 2013. Therefore, NextBridge should not have presumed that it would be the successful bidder to construct the project, and NextBridge should not have taken the step of "locking up" First Nations in a way that would preclude another transmitter from bidding to construct the project.

Also of note, Bamkushwada LP was a 33.3% partner with Hydro One and Brookfield in the 2012 EWT LP submission to the OEB. The impacted communities maintain constructive relations with Hydro One, and we strongly believe the affected communities will welcome our interest in the project and will be open to working with Hydro One again.

Appendix 1: Comparison Transmission Line Projects and Variance to Initial Cost

Project Name	<u>East West Tie (HONI)</u>	<u>East West Tie (NextBridge)</u>	<u>Northwest BC Transmission Line (BC Hydro)</u>	<u>Interior Lower Mainland Transmission (BC Hydro)</u>	<u>WATL (AltaLink)</u>	<u>EATL (ATCO)</u>	<u>Fort McMurray West Transmission (Alberta Powerline)</u>	<u>Bipole III (Manitoba Hydro)</u> <i>On-going</i>
INITIAL COSTS (\$M)	\$636	\$737	\$561	\$602	\$1,499	\$1,665	\$1,430	\$3,300
FINAL COSTS (\$M)			\$736	\$743	\$1,699	\$1,900	\$1,600	\$4,600
Increase (%)			31%	23%	13%	14%	12%	39%
Current	AC	AC	AC	AC	DC	DC	AC	DC
Length (km)	400	450	344	255	350	485	500	1384
Structure Type	360km guyed mast + 40km self supporting	290km Guyed Y + 160km Self supporting steel lattice	Steel Lattice - Guyed Y	Steel Lattice - Guyed V and self supporting	Steel Lattice - Self Supporting	Steel Lattice - Self Supporting	Steel Lattice - Guyed V	Steel Lattice - Guyed Mast
Number of Circuits	2	2	Single	Single	Single (Bipole)	Single (Bipole)	Single	Single (Monopole)
Operating Voltage (kV)	230	230	287	500	+/- 500	+/- 500	500	+/- 500
Conductor	1192 Grackle	1192 Grackle	477 Hawk		1590 Falcon	1590 Falcon		
Conductors per phase	Single	Single	Twin	Twin	Quad	Quad	twin	Triple
Foundations	Mainly rock anchor - some grillage (85/15%)	A mixture		Piles / Grillage / Pad & Column	Deep piles	Deep piles		
Notes			Guyed Y structures same as Nextbridge offer Valard construction. Monopoles also had to be used for 75 structures to cope with standard change.	Flatiron-Graham construction	SNC-Lavalin execution		Valard construction	
Delays / Changes			- Heated labour market - Introduction of new structure type - Change in design requirements - Access and clearing not in EPC scope of work	- Heated labour market - Change in design requirements - EPC Awarded to construction JV with limited Transmission Line experience	- Heated labour market - Change in line route			- Line had to be rerouted due to eco/political pressure -construction fatalities in 2017

Appendix 2: Unit Cost Benchmarks of Similar 230kV AC Transmission Lines

	EWT – Hydro One	EWT - NxB	Northern Ontario Study	TL267	SFTP	CBW
Voltage	230kV	230kV	230kV	230kV	240kV	240kV
Year of Execution	2019	2019	2011	2017	2013	2011
Client	Hydro One	NextBridge	Hydro One (Study to support budgetary pricing for LTEP)	Newfoundland Hydro	AltaLink	AltaLink
EPC Firm	SNC-Lavalin	Burns & McDonnell as Engineering Valard as Procure & Construct	SNC-Lavalin	SNC-Lavalin Engineer & Owners Engineer	SNC-Lavalin as EPC	SNC-Lavalin as EPC
Location	Northern Ontario	Northern Ontario	Northern Ontario	St John's, Nfld	Southern Alberta	Southern Alberta
Length (km)	400	450	300	188	123	240
Average span (m)	365			320	350	337
Number of circuits	Double	Double	Double	Single	Double	Double
Number of structures	1100			586	338	713
Conductor (# per phase)	1192 kcmil (1)	1192 kcmil (1)	795 kcmil	804 kcmil (1)	1033 kcmil(2)	1033 kcmil (2)
Construction Constraints	Heavy Wooded	Heavy Wooded	50% Wooded	Heavy Wooded	Prairie	Prairie
Cost Analysis	\$/km	\$/km	\$/km	\$/km	\$/km	\$/km
Materials	\$147,090	\$198,684	\$273,600	\$249,316	\$282,247	\$296,382
Access	\$257,665	\$290,580		\$264,711	\$172,357	\$238,280
Foundations	\$281,096	\$305,913		\$260,056	\$351,924	\$171,006
Lines	\$562,192	\$567,382		\$492,266	\$564,780	\$565,423
TOTAL COST / km	\$1.34m	\$1.41m	\$1.39m	\$1.27m	\$1.37m	\$1.27m
Applied Indexes / Factors			- Steel	- Steel, Aluminum - Provincial Labour - x1.5 Single to double	- Steel, Aluminum - Provincial Labour	- Steel, Aluminum - Provincial Labour
Total Variance if applied to EWT – Hydro One solution @ 400km	+ \$0	+\$25.9m (+4.8%)	+\$20.6m (+1.5%)	-\$31.2m (-5.8%)	+\$10.8m (+2.2%)	-\$29.3m (-5.2%)

Appendix 3: Regulatory Options to Meet EA Requirements

Hydro One has engaged in preliminary discussions with MOECC regarding possible options for obtaining EA approval for the proposed approach to the EWT Project. MOECC has confirmed that regulatory measures exist that would allow Hydro One to utilize the EA work already completed by NextBridge, and address changes in proposed route. It should be noted that these measures are relatively unprecedented with respect to Individual EAs in the electricity sector, and would likely only be possible should the Hydro One proposal be considered compelling enough to the Province and a LTC granted.

MOECC is limited in how much they can discuss the EWT file as the NextBridge Individual EA is currently in front of the Minister for a decision and is currently under amendment by NextBridge based on additional stakeholder comments. The nature of amendments is not known to H1 and it is possible some of these amendments could benefit Hydro One.

MOECC has been clear to date that a project can be carried out by another proponent so long as it is conducted in the way that is described in the EA, and that it meets the commitments in the approved EA. Hydro One proposes to use the same route as NextBridge for 264 km of the 403 km proposed Hydro One route. Changes to the approach in the approved EA in these sections are minimal, and are considered comparable in impact, such as minor changes in tower design, or a significant reduction in impacts, such as widening the corridor by only 37 m compared to 64 m proposed by NextBridge.

EA reports and associated studies are publicly available documents, and with the exception of necessary changes required for Hydro One's solution, are beneficial to and useable by Hydro One. Although Hydro One cannot legally "rely" on the NextBridge EA and associated studies, it is not general industry practice to obtain reliance on an EA document. Obtaining reliance from the consultants that have completed the EA studies would not reduce the risk associated with Hydro One assuming those same EA studies. Studies, such as natural heritage, are highly subjective and legal recourse for errors and omissions in the absence of negligence would not likely be successful. As a result, there would be no advantage to Hydro One obtaining formal reliance on these reports, or commissioning duplicate studies.

The key regulatory challenges lie in addressing EA requirements for areas where the Hydro One proposal does not conform to the Nextbridge EA conditions, if approved by the MOECC. These areas include the modified routes through Pukaskwa National Park and West of Nipigon. MOECC has confirmed that the route change proposed by Hydro One is considered significant in magnitude such that an addendum or amendment to the existing EA would not be considered appropriate to meet Hydro One's EA obligations.

MOECC has offered several other means to potentially meet EA requirements, many of which are not viable as they do not align with the project schedule or they result in a significant duplication of effort by H1 with respect to the NextBridge EA studies. The most attractive option is a Ministerial exemption to typical EA requirements, combined with Studies and Consultation for sections of the route that deviate from the approved route. This would require a Regulation or Declaration Order combined with Cabinet Approval and Consultation. A second possible option would be assuming the EA from NextBridge prior to finalization. This would be considered only if there is a significant delay in NextBridge finalizing their EA such that the LTC decision would be made prior to completion.

Regardless, the MOECC has made it clear that some solution to EA approvals could likely be reached should the Hydro One proposal be considered the best solution for the Province.

Based on the above considerations, proceeding with the EWT project commitments despite some uncertainty associated with the nature and timing of associated EA approvals is considered an acceptable risk to Hydro One.

Appendix 4: Letter from SNC-Lavalin President, Power Division



SNC-Lavalin Group Inc.
455 Boul. Rene-Levesque, Ouest
Montreal, Quebec
Canada H2Z 1Z3
☎ (514) 393-8000

December 12th, 2017

Hydro One Networks Inc.
483 Bay Street
Toronto, ON M5G 1P5

Attention: Mr. Greg Kiraly, EVP and Chief Operating Officer

Subject: SNC-Lavalin Commitment to Hydro One Network's Lake Superior Link Project

Dear Mr. Kiraly,

As you are aware, SNC-Lavalin has provided its full lump sum EPC proposal to Hydro One Networks for the Lake Superior Link Project (the "Project") on November 24th, 2017. This letter serves as an acknowledgement from myself and the rest of SNC-Lavalin's senior leadership of the awareness and commitment of this Project within SNC-Lavalin.

This Project has been thoroughly reviewed through all levels of internal governance, evaluating and quantifying the scope, schedule and risks of the Project. Especially as this is a lump sum price, we require that the teams go through a rigorous process, including market surveillance and peer reviews to ensure we provide a proposal that is both achievable and profitable for SNC-Lavalin. We feel that the expertise, experience and resources we have within SNC-Lavalin will make this a successful project for both our organizations.

We understand that this will be a large high profile project, but it is not unlike other large infrastructure projects we have and are currently executing. Maintaining our reputation to deliver successful projects especially within our home country is essential to our continued prosperity.

We look forward in developing and executing this project (as well as others) with Hydro One Networks in the years to come. Feel free to contact me if you would like to discuss any of this with me personally.

Sincerely,

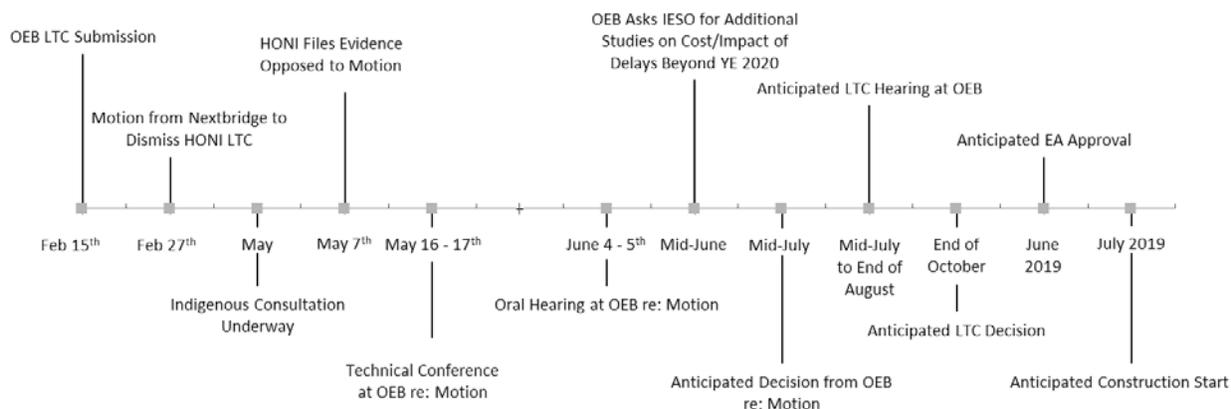
Sandy Taylor
President, Power
SNC-Lavalin Group Inc.



East-West Tie (Lake Superior Link) Transmission Line Project Update

The following is an update on Hydro One’s Leave to Construct (LTC) application to the Ontario Energy Board (OEB) to build the East-West Tie Transmission Line project, which Hydro One has renamed the Lake Superior Link (LSL). Hydro One continues to pursue the project with full energy and enthusiasm as a core competency despite the resistance from NextBridge following our LTC application filing on February 15, 2018. Hydro One remains confident the LSL project delivers substantial benefits to rate payers, however there are some headwinds we are working to overcome.

Below is an update on progress made since the Board meeting on February 13, 2018 on the following chronology:



Regulatory Process

Hydro One’s LTC application was filed with the OEB on February 15, 2018. On February 27th, NextBridge filed a motion with the OEB to dismiss Hydro One’s application primarily based on the premise that the Hydro One LSL project cannot meet the December 2020 in-service date and that our application was incomplete. Hydro One has stated the motion is without merit and has strongly opposed NextBridge’s assertions on both the application being incomplete, and that the December 2020 in-service date is a requirement.

The following will provide the Board with the regulatory activities that took place to address the motion filed by NextBridge on February 27th:

- On May 7th, in response to a procedural order from the OEB, Hydro One submitted over 350 pages of comprehensive supplementary evidence to justify the dismissal of the NextBridge motion.
- On May 7th, Hydro One participated in a technical conference on the NextBridge application as an intervening party.
- On May 16 & 17th, a technical conference was held on the NextBridge motion where a panel of Hydro One and SNC-Lavalin witnesses were questioned by OEB staff and intervening parties.
- On June 4 & 5th, an oral hearing was held on NextBridge’s motion to dismiss Hydro One’s application, where a panel of three OEB Board members heard argument from Hydro One, NextBridge and eleven intervening parties.

Several parties opposed the NextBridge motion including Schools Energy Coalition, Consumers Council of Canada, and the Power Workers Union. They argued that it would be prudent to hold a full hearing to hear and test Hydro One's evidence given the magnitude of customer benefits, and they questioned the OEB's jurisdiction to dismiss Hydro One's application without a hearing.

There were several parties who supported NextBridge's motion, most notably OEB Staff, Bankushwda LP, Vulnerable Energy Consumer's Coalition (VECC) and the Métis Nation of Ontario. The primary areas of argument were

- Hydro One's ability to meet its Duty to Consult and to attain economic participation agreements with the impacted parties in a timely manner;
- The importance and likelihood of project completion by December 2020 (the date mentioned in the Order-in-Council) as proposed by NextBridge, as contrasted with Hydro One's planned completion date of December 2021;

Hydro One outlined that formal consultation has begun with all potentially affected Indigenous communities and feels there is sufficient time in our overall project schedule to have meaningful consultation and reach economic participation agreements.

NextBridge argued the importance of the 2020 in-service date as a project requirement, being referenced in the Order-in-Council, and questioned whether Hydro One would be able to meet even a 2021 in-service date. Hydro One argued that the December 2020 in-service date was only a recommendation and is not a firm need from a power system perspective, based on evidence filed by Hydro One and a submission made by the IESO. The OEB has since asked the IESO for additional studies articulating the impacts of completion of the project under different timelines, reaching out as far as 2024.

We do not know when the OEB will render its decision on the NextBridge motion but anticipate it will not be prior to mid-July 2018. If the motion is dismissed, the OEB will define a process to fully hear both Hydro One's and NextBridge's LTC applications. We remain confident in our ability to deliver value on this project and are optimistic that the OEB will dismiss the NextBridge motion, thereby allowing Hydro One's LTC application to be heard in full. Under this scenario, we anticipate there will be a further regulatory process through the summer, and a potential the OEB decision on the two LTC applications as early as October 2018.

Hydro One continues to advance work in areas of engineering and environmental approvals, including field studies, Indigenous consultation, and discussion with landowners. We continue to be optimistic about this project and that we will be given an opportunity to fully articulate our value proposition to the OEB and others. Consultation with Indigenous communities is underway, and we are looking for opportunities to increase community economic participation in a number of forms.

A total of \$12.2 Million has been authorized by management for the project development phase up to the time of the OEB's LTC decision. Incurred and committed costs to date are approximately \$4 Million, and Hydro One will curtail spending in the unfortunate event that our application is dismissed by the OEB.

Indigenous Relations

Hydro One has been delegated the procedural aspects of the legal Duty to Consult by the Provincial Crown via the Ministry of Energy for the LSL project. As per this delegation, Hydro One is fully committed to undertake meaningful consultation and accommodation with all impacted Indigenous communities as identified by the Crown. Hydro One has requested to meet with all impacted Indigenous communities to discuss potential LSL project impacts, accommodation and opportunities, including economic participation such as procurement, training and employment. Hydro One would consider accommodation measures including, without limitation, equity participation with Indigenous communities as identified by the Crown, capacity funding to participate in the engagement process, procurement and subcontracting opportunities, job training, and employment opportunities. There has been good progress on initial consultation engagements, and Hydro One continues to reach out to all identified communities to understand their unique needs and opportunities to participate.

Due to exclusivity agreements established by NextBridge with the six directly impacted First Nations communities who make up Bankushwada LP, those communities have declined at this time our request to discuss accommodation measures such as economic participation. Hydro One continues to engage with them, and there has been some positive progress as of late.

We recently became aware that NextBridge is proposing to support the funding of the First Nations equity participation. Our current proposed economic participation, as approved by Hydro One Board of Directors in February 2018 was not premised on supporting the Bankushwada equity raise. We are reviewing this matter internally in order to evaluate alternatives and recommend an optimized course of action.

One of the concerns from Indigenous communities is the potential delay to construction start and project completion, and how that may negatively affect individuals and indigenous companies who are preparing for the project. Members of Indigenous communities are currently completing project-related skills training through a program developed by Supercom, NextBridge and others. Hydro One has been a vocal supporter of this program which will enable local participation in the project's success, regardless of who is designated to build and operate the project. Hydro One is committed to maximizing the employment of members from local Indigenous communities, including those who have received or who are currently completing project related skills training. In addition, Hydro One is in a unique position to provide lasting employment opportunities for skilled Indigenous workers throughout its network across the province, beyond the construction of the LSL Project.

Hydro One and its construction partner SNC-Lavalin (SNC) recognize the importance of having involvement and participation of Indigenous communities and businesses in the execution of the LSL Project. Hydro One and SNC have a proud history of inclusion through employment and procurement and will be actively including, in the procurement of goods and services, qualified Indigenous suppliers and companies who have strong relationships with local Indigenous communities and businesses.

The Métis Nation of Ontario has been critical of Hydro One's consultation approach with Métis peoples on this project. Hydro One is committed to engagement with the Métis, as well as considering what further potential economic participation on the project may look like. Despite the concerns expressed by the Métis Nation of Ontario (MNO), our team has had productive discussions with Métis communities that are independent of MNO. This engagement will continue as part of our Indigenous community engagement program notwithstanding the position of the MNO.

Environmental Approvals

One of the key issues that remain on the project is whether or not the Ministry of the Environment and Climate Change (MOECC) will permit Hydro One to utilize the Environmental Assessment (EA) work completed by NextBridge for approximately 80% of the route which is common with the Hydro One proposal. Hydro One's position is that the EA is a public document that can be utilized by Hydro One, subject to additional studies and consultation for differences in the two routes. While Hydro One cannot reproduce or distribute the NextBridge EA, Hydro One is entitled to reference it and rely on it at our own risk.

Hydro One has been regularly engaged with the MOECC since the Third Quarter of 2017 to understand options to obtain timely environmental approvals. Based on Hydro One's meetings with the MOECC, two options were identified to allow Hydro One to meet its EA obligations for the LSL Project; Option 1, a Declaration Order, or Option 2, an Individual Environmental Assessment. MOECC has confirmed, on numerous occasions and in writing, that both options are open to Hydro One, as they would be to any proponent under the *Environmental Assessment Act* (the Act). Hydro One is currently pursuing both options in parallel and is hopeful that either one would enable the planned construction start date of July 2019.

Option 1: Declaration Order: This option exempts a proponent from an Individual EA and is available if approved by the Minister of the Environment and Climate Change and then the Cabinet. (A Declaration Order is provided for under Section 3.2 of the Act and allows the Minister to declare that the Act, the regulations, or a matter provided for under the Act does not apply.)

Declaration Orders are usually considered when the proposal is in the public interest, potential environmental effects are likely to be minimal, and environmental impacts are already being adequately addressed. Having regard to these guidelines, the proposed LSL Project is a strong candidate for a Declaration Order for the following reasons:

- The proposal is in the public interest because of savings in excess of \$100 million in capital costs and additional \$3 million in annual operating costs;
- The environmental impacts of the LSL Project routing are expected to be minimal. In fact, the proposed LSL Project route reduces the linear distance of line proposed by NextBridge by approximately 50 km and reduces the required corridor width by approximately 50%; and
- Most of the environmental impacts of the proposed LSL Project will already be adequately addressed through the existing EA submitted by NextBridge, which assesses

approximately 80% of the proposed Hydro One LSL Project route. Additional studies and consultation, which are currently being conducted by Hydro One, will address any differences between the proposed LSL Project and the NextBridge Project.

Hydro One expects to be in a position to request a Declaration Order no later than December 2018, by which time the NextBridge EA is expected to be approved. This would allow a construction start date in mid-2019 as per project plan.

Option 2: Individual EA: Hydro One continues to believe that a Declaration Order is an appropriate regulatory measure for Hydro One's LSL Project, as it avoids the unnecessary cost and duplication associated with completion of an Individual EA and considers the interest of electricity customers and the Province. However, in the event that a Declaration Order is not granted, Hydro One has commenced an Individual EA in parallel and is working to a plan that would allow the Individual EA process to be completed by July 2019 for the sections which differ from the NextBridge route, in time for the planned start of construction.

Project Next Steps

We anticipate a decision from the OEB in the coming weeks regarding whether Hydro One's LTC application will be allowed to proceed. If it is allowed to proceed, the OEB will outline a process for full evidentiary discovery and a hearing of both the NextBridge and Hydro One LTC applications.

SUMMARY OF TOPIC / ISSUE

SITUATION OVERVIEW	<ul style="list-style-type: none"> ▪ The East-West Tie is a 400km long 230kV transmission line project initiated in 2012 as Ontario’s first competitive process for transmission development. Hydro One submitted a Leave to Construct (LTC) application to the Ontario Energy Board (OEB) in February 2018 to design/build/own, which Hydro One renamed the Lake Superior Link (LSL). ▪ Our LTC application is in competition with NextBridge, whose costs have escalated over \$300M from 2013 submission. ▪ Hydro One’s proposal to develop and build the LSL is projected to cost \$636M, which, if successful, would add approx. \$15M to net income. ▪ Hydro One LTC application provides Ontario rate payers with over \$100 M savings in capital costs plus \$3M reduction in annual operating costs, as compared to the NextBridge submission. Our projected completion is up to 12 months later than NextBridge. ▪ Hydro One is engaging with Indigenous Communities (ICs) as part of delegated authority to consult and accommodate; in time, economic participation conversations are anticipated to enable equity partnership with ICs in the order of 34%. ▪ On July 19th, the OEB dismissed a motion filed by NextBridge to have OEB reject Hydro One’s LTC application. ▪ The regulatory process is on-going with the OEB. Additional evidentiary discovery and hearings are anticipated to carry through Q4 2018. 									
RISKS & CONSIDERATIONS	<ul style="list-style-type: none"> ▪ Uncertain process through OEB review, as this project is the first with two competing LTC applications. ▪ OEB has requested IESO to assess and monetize impact to power system and customers of a delay in project completion to 2021 as per Hydro One submission, and also as far out as to 2024. Potentially beneficial to Hydro One. ▪ NextBridge has been consulting with Indigenous Communities for several years, and has established economic participation agreements with many. This is adding stress to relationships with some communities given their concern around losing momentum and committed benefits. Potential for continued delays re engagement and accommodation, may affect project viability & schedule however good progress has been made in past several weeks. ▪ Approved expenditure to-date: \$12.2M; incurred and committed: \$4M; pursuit costs will be write-off if not successful. 									
DECISIONS & NEXT STEPS	KEY DECISIONS REQUIRED	NEXT STEPS / UPCOMING MILESTONES								
	<ul style="list-style-type: none"> • Environmental Assessment (EA) approval from the provincial Ministry of Environment, Conservation and Parks anticipated July 2019. Two parallel processes underway for EA submission and approval to minimize risk. 	<ul style="list-style-type: none"> • In midst of consultation with 18 Indigenous Communities as part of delegated duty to consult and accommodate. • EA studies on-going with plan to submit to Ministry of Environment, Conservation and Parks. • Engineering and procurement activities on-going. <table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Anticipated OEB decision</td> <td style="text-align: right;">Q4 2018</td> </tr> <tr> <td>Planned EA approval</td> <td style="text-align: right;">July 2019</td> </tr> <tr> <td>Planned construction start</td> <td style="text-align: right;">July 2019</td> </tr> <tr> <td>Planned in-service</td> <td style="text-align: right;">Dec. 2021</td> </tr> </table>	Anticipated OEB decision	Q4 2018	Planned EA approval	July 2019	Planned construction start	July 2019	Planned in-service	Dec. 2021
Anticipated OEB decision	Q4 2018									
Planned EA approval	July 2019									
Planned construction start	July 2019									
Planned in-service	Dec. 2021									

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory # 2**

2
3 **Reference:**

4 HONI Application EB-3027-0364 Exhibit B, Tab 7, Schedule 1 (see Table 2 and Table 3)
5 (February 15, 2018)

6
7 **Interrogatory:**

8 Please include detailed records of consultation spending for each First Nation and Metis
9 community to date. Please provide an explanation for any differences in the amount of
10 consultation spending for between any First Nation and/or Metis community.

11
12 **Response:**

13 The costs associated with completing the Project were outlined in Exhibit B, Tab 7, Schedule 1
14 of the prefiled evidence and have been updated in Exhibit I, Tab 1, Schedule 11. The specific
15 costs associated with a specific group, e.g., an impacted First Nation or a property owner, are not
16 relevant to the determination of whether the Project as a whole will be in the best interest of
17 Ontario ratepayers with respect to prices and reliability and quality of electricity service.

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory # 3**

2
3 **Reference:**

4 HONI Application EB-2017-0364, Exhibit B, Tab 1, Schedule 1 pages 11-12; and Exhibit H,
5 Tab 1, Schedule 1, pages 1-5 (February 15, 2018)

6
7 **Interrogatory:**

8 Please provide a detailed plan and schedule of future consultation with the First Nation and
9 Metis communities identified above, and in particular with respect to BZA. Identify any issues
10 that have arisen in scheduling or continuing consultation and provide details of the same,
11 including any relevant correspondence or decisions.

12
13 **Response:**

14 Hydro One has initiated Consultation activities with all 18 Indigenous communities identified by
15 the Ministry of Energy and has sent project-related information and requested to meet with all
16 those communities. Individual Indigenous communities are at various stages of the consultation
17 process. Hydro One has offered Capacity Funding Agreements to all 18 Indigenous
18 communities, which include the opportunity for the Indigenous communities to undertake
19 activities including, but not limited to, hiring a community consultation coordinator, participation
20 in and review of Environmental Assessment-related studies and documents, and Traditional
21 Knowledge studies. Hydro One is committed to continue making best efforts to meaningfully
22 consult with all Indigenous communities that have expressed an interest in the project.

23
24 Please refer to Exhibit I, Tab 1, Schedule 15 regarding the consultation approach.

25
26 Given the expansive length of the line, Hydro One scheduled Community Information Centre
27 (CIC) sessions in June 2018 at several locations along the proposed route. However, Hydro One
28 received correspondence from Chief Melvin Hardy on May 29, 2018, indicating that the
29 locations of the scheduled CICs were not convenient for the community of Biinjitiwaabik
30 Zaaging Anishinaabek to access and requested that a CIC take place in that community. Hydro
31 One understood the concern expressed by Chief Melvin Hardy and expeditiously added a CIC in
32 that community on June 13, 2018.

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory # 4**

2
3 **Reference:**

4 HONI Application EB-2017-0364 Exhibit B, Tab 7, Schedule 1 (see Table 2 and Table 3)
5 (February 15, 2018)

6
7 **Interrogatory:**

8 Please provide a detailed breakdown of the consultation budget on a go-forward for each First
9 Nation and Metis community, and in particular with respect to BZA. Please provide a detailed
10 explanation for any differences in the amounts budgeted for different First Nations and/or Metis
11 Communities.

12
13 **Response:**

14 Please refer to Exhibit I, Tab 9, Schedule 2. An updated summary of the Hydro One costs to
15 complete the LSL is provided at Exhibit I, Tab 1, Schedule 11.

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory #6**

2
3 **Reference:**

4 HONI Application EB-2017-0364 Exhibit B, Tab 1, Schedule 1 pages 11 -12 and Exhibit H,
5 Tab 1, Schedule 1 (February 15, 2018); (February 15, 2018)

6
7 **Interrogatory:**

8 Has HONI prepared a projected participation budget? Please provide a detailed breakdown of
9 the participation budget for each First Nation and Metis community and specifically with
10 respect to BZA. Please provide a detailed explanation for any differences in the amounts
11 budgeted for different First Nations and/or Metis Communities.

12
13 **Response:**

14 Please refer to Exhibit I, Tab 9, Schedule 2 and Exhibit I, Tab 1, Schedule 11.

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory #7**

2
3 **Reference:**

4 HONI Application EB-2017-0364 Exhibit B, Tab 1, Schedule 1 pages 11 -12 and Exhibit H,
5 Tab 1, Schedule 1 pages 4-5 (February 15, 2018);

6
7 **Interrogatory:**

- 8 1. In fulfilling Indigenous participation obligations, will HONI offer economic participation
9 agreements with equity options to all of the affected First Nation and Metis communities or
10 only those in the BLP? If not, which First Nation and Metis communities will HONI offer
11 economic participation agreements with equity options to, and who determines which
12 affected communities will be offered these agreements?
13
- 14 2. Further, please provide a detailed explanation of:
15 1. what economic participation agreements may look like;
16 2. what equity will be offered to each First Nation and Metis community; and
17 3. what other economic participation options will be offered.
18
- 19 3. Will HONI offer differing economic participation opportunities to different First Nations
20 and Metis communities? If so, please provide a detailed explanation as to why.
21

22 **Response:**

- 23 1. As per its demonstrated track record (B2M, Niagara Reinforcement), Hydro One has been a
24 leading promoter and facilitator of First Nations participation to promote and support
25 Indigenous engagement, benefits and equity participation in projects directly impacting
26 communities. Hydro One is offering BLP up to 34% equity on this project. This is consistent
27 with the equity participation approach contemplated in the Hydro One Leave to Construct for
28 the East-West tie and designation proceedings, and we understand it is more favourable than
29 NextBridge's offer of equity participation to BLP. For Hydro One, the participation of
30 impacted Communities is not only a financial matter but is also about promoting long-term
31 sustained benefits for BLP communities. We have engaged in discussions with the Métis and
32 will first need to understand their expectations in terms of procurement and other contract
33 benefits. Hydro One anticipates that benefits to The Métis Nations of Ontario (MNO) will be
34 equivalent to or superior to those offered by NextBridge. If Hydro One is selected to build
35 the LSL Project, Hydro One is committed to discussing benefits, including economic options,
36 as part of the consultation process. Hydro One has been advised by the MNO's legal counsel

1 that the MNO cannot enter into discussions regarding accommodation measures, including
2 economic participation, because of exclusivity agreements they have with NextBridge.

3
4 2. 1) The terms and conditions of economic participation agreements are not finalized as Hydro
5 One has not yet commenced discussions on accommodation measures. Hydro One has been
6 forbidden by BLP's lawyer from discussing economic accommodations and/or participation
7 with these six First Nations¹, and Hydro One has also been told that BLP has entered into
8 exclusivity agreements with NextBridge.

9
10 2) As stated previously, Hydro One is prepared to offer a 34% equity interest to BLP.

11
12 3) Potential methods of economic participation for all Indigenous communities on the LSL
13 Project have also already been documented in this proceeding. To assist BZA, the applicable
14 references are Undertaking JT 2.15 and JT 2.16 from the NextBridge Motion to Dismiss the
15 Hydro One LSL application filed on May 25, 2018 (EB-2017-0364). Hydro One's
16 construction partner, SNC-Lavalin, is prepared to offer contracting, training and employment
17 opportunities. In addition, Hydro One is in a unique position to provide lasting employment
18 opportunities throughout its network across the province for skilled Indigenous workers,
19 beyond the construction of this Project.

20
21 3. All Indigenous communities have been offered capacity funding agreements in relation to this
22 project. Hydro One's construction partner, SNC-Lavalin, has an established track record in
23 Indigenous partnerships, joint companies and procurement for major projects in Ontario and
24 across the country, including specifically in Ontario's transmission sector. For many years,
25 they have developed proven relations and an ability to engage suppliers and optimize
26 Indigenous procurement. They have reflected on how to optimize opportunities and will be
27 including qualified Indigenous suppliers and companies who have strong relationships with
28 local Indigenous communities and businesses in their procurement of goods and services.

29
30 In addition to its economic participation offer to BLP, Hydro One is planning to install fiber
31 optic cable along the new transmission line and is committed to investigate the potential to
32 make available the excess fiber to support improved connectivity along the corridor of the
33 new line. Connectivity is especially weak along the corridor of the planned tie line, and
34 improved telecom access will open the possibility for several essential community services,
35 e.g. education, medical, etc. This could in turn provide economic opportunities for

¹ BLP evidence - May 7 2018 – March 5, 2018 Letter from BLP lawyers to Hydro One.

1 Indigenous telecom providers or Indigenous community-owned providers alone or in
2 partnership, or for other telecom providers, to develop the ‘last mile connection’ to
3 residences and businesses.

- 1 network across the province for skilled Indigenous workers beyond the construction of the
2 Lake Superior Link Project.
3
- 4 2. Please refer to Exhibit JT 2.21. Indigenous business participation in a variety of different
5 contracts has not yet been detailed. It is the goal of HONI and SNC-Lavalin to maximize
6 the inclusion of Indigenous businesses and community members throughout construction and
7 operations/maintenance in accordance with existing skill levels, experience and available
8 resources. Hydro One also anticipates encouraging/facilitating partnerships (Indigenous with
9 Indigenous businesses, and Indigenous with non-Indigenous businesses) to help increase
10 capacity to, in turn, increase the participation rate.
11
- 12 3. Please refer to Exhibit I, Tab 9, Schedule 2.

- 1 any determinations regarding Indigenous rights and the depth of consultation required for
- 2 each community: such determinations are a Crown responsibility.

1 **Biinjitiwaabik Zaaging Anishinaabek Interrogatory # 12**

2
3 **Reference:**

4 FinalTranscripts_HONI_MOTION_Technical_Conference_20180517 EB-2017 0364 page 247
5 (Filed May 17, 2018); and

6
7 HONI_LSL_TC_Undertaking JT.27 EB-2017-0364 Exhibit JT2.27 Page 1 (Filed 2018-05-
8 25)

9
10 **Interrogatory:**

11 At the technical conference on May 17, 2018, Ms. Goulais stated that in the 2013 designation
12 proceedings, the Bamkushwada communities were identified as being the most-impacted and the
13 most proximate to the project.

14
15 Please provide any/all memos, documents, correspondence either internal to HONI or with the
16 MOE where there is any discussion, determination or consideration of:

- 17
18 a) the level of consultation that may be afforded to the differing affected First Nations and
19 Metis groups;
20
21 b) which First Nations and Metis groups are the most directly affected.
22

23 **Response:**

24 It is the responsibility of the Crown to determine whether a Duty to Consult has been triggered
25 on a proposed project, and if so, the appropriate depth of consultation to be undertaken. In a
26 letter dated May 31, 2011, the Ministry of Energy delegated procedural aspects of consultation to
27 the Ontario Power Authority with regards to the East-West tie project. The letter is provided as
28 Attachment 1 of Exhibit JT 2.27 filed May 25, 2018. The Indigenous communities identified in
29 the letter included:

- 30
31
 - Animbiigoo Zaagi'igan Anishinabek First Nation (Lake Nipigon Ojibway)
 - Biinjitiwaabik Zaaging Anishinabek First Nation (Rocky Bay)
 - Bingwi Neyaashi Anishinabek (Sand Point First Nation)
 - Fort William First Nation
 - Ginoogaming First Nation
 - Long Lake No. 58 First Nation
36

- 1 • Michipicoten First Nation
- 2 • Missanabie Cree First Nation
- 3 • Ojibways of Batchewana
- 4 • Ojibways of Garden River
- 5 • Ojibways of Pic River (Heron Bay First Nation)
- 6 • Pays Plat First Nation
- 7 • Pic Moberg First Nation
- 8 • Red Rock Indian Band
- 9 • Greenstone Métis Council
- 10 • Red Sky Independent Métis Nation
- 11 • Superior North Shore Métis Council
- 12 • Thunder Bay Métis Council

13 Based on information received to date from Indigenous communities and the evidence of record
14 in this proceeding, BLP communities have defined themselves as most directly-affected by the
15 Project¹.

¹ EB-2017-0364 - BLP Evidence – May 7, 2018 – Affidavit of Chief Peter Collins at Paragraph 36

- 1 • Ministry of Agriculture, Food and Rural Affairs
- 2 • Ministry of Economic Development and Growth
- 3 • Ministry of Education
- 4 • Ministry of the Environment, Conservation and Parks
- 5 • Ministry of Health and Long-Term Care
- 6 • Ministry of Infrastructure
- 7 • Ministry of Municipal Affairs and Housing
- 8 • Ministry of Natural Resources and Forestry
- 9 • Ministry of Energy, Northern Development and Mines
- 10 • Ministry of Tourism, Culture and Sport
- 11 • Ministry of Transportation
- 12 • Ontario Energy Board
- 13 • Ontario Parks, Northwest Zone
- 14 • Ontario Parks, Northeast Zone
- 15 • Ministry of Community Safety and Correctional Services
- 16 • Ontario Power Generation
- 17 • Ontario Provincial Police Nipigon Detachment
- 18 • Ontario Provincial Police Schreiber Detachment
- 19 • Ontario Provincial Police White River Detachment
- 20 • Ontario Provincial Police Wawa Detachment
- 21 • Ontario Provincial Police Marathon Detachment
- 22 • Thunder Bay District Health Unit

23
24 “The regulator” refers to the regulator over the EA process referenced in the ToR, which is
25 MECP.

26
27 b) Monthly updates have not been requested.

1 **OEB Staff Interrogatory # 11**

2
3 **Reference:**

4 EB-2017-0364 Evidence, Hydro One's Application filed on February 15, 2018, Exhibit B, Tab 7,
5 Schedule 1, Page 1 and 3
6 Hydro One's Development Cost Estimates

7
8 Hydro One stated that the development costs are estimated at approximately \$12.2 million and
9 that the forecast is based on an October 2018 approval date.

10
11 **Interrogatory:**

- 12 a) Please provide an updated development cost estimate in the event that OEB approval is
13 received by end of November, or December 2018, respectively.
- 14
15 b) Please elaborate how the response in part (a) would change Hydro One's overall project
16 budget and completion date.
- 17
18 c) Does Hydro One have monthly or quarterly development cost estimates including major
19 components? If so, please provide those current estimates.

20
21 **Response:**

22 Prior to responding to these interrogatories, Hydro One would like to inform the OEB that the
23 Project cost estimate has been updated to reflect current information. Please also note that Hydro
24 One's updated development costs include costs up to the OEB's decision on Hydro One's Leave
25 to Construct application projected for January 2019, whereas in the original application in
26 February, there was a projection of an October 2018 decision on the application.

DEVELOPMENT COSTS

The Project development costs provided at Exhibit B, Tab 7, Schedule 1, have been amended in as follows in Table 1 below:

Table 1 – Development Cost (\$ thousand)		
	February 2018	September Update
Real Estate	\$3,813	\$3,442
Engineering & Design	\$2,034	\$4,317
Environmental Approvals	\$1,949	\$4,328
Regulatory & Legal	\$1,782	\$528
First Nations & Métis Consultation	\$983	\$1,990
Project Management	\$138	\$264
Other Consultations	\$217	\$423
Interest	\$100	\$195
Overhead	\$1,200	\$1,485
Total Development	\$12,215	\$16,972

These development cost have been updated to account for various changes that have occurred since Hydro One filed its leave to construct application in February of 2018.

Real Estate Costs – Development Phase

Real Estate activities have been progressing favourably, generally in accordance with plan, but slightly behind schedule. The development costs have decreased by (\$0.37 million). At the outset, there was an approximate 8 week delay in contracting for field property agent services. In addition there was an approximate 4 week delay in establishing meaningful property owner contacts to launch direct field activities. These delays have contributed to the under expenditures to plan through a delayed offer process.

Engineering & Design Costs – Development Phase

Engineering and Design Development cost have increased by \$2.30M due to the Development phase being shifted from previously assumed LTC approval dated October 2018 to the now assumed approval in January 2019. The total Engineering and Design cost, including both Development and Construction phase costs, has increased by (\$0.75M) Consequently Construction Management, Engineering, Design and Procurement costs have been decreased in the Construction phase.

1
2 The extra work to be done in Development phase encompasses:

- 3 • Engineering survey of tower and foundation in Pukaskwa Nation Park
- 4 • Engineering work required to initiate geotechnical work in the field
- 5 • Engineering work required to define extent of construction permits
- 6 • Engineering work required so that firm offers can be obtained for fabrication and testing
7 of tower prototypes.

8
9 *Environmental Approvals Costs – Development Phase*

10
11 The increase in Environmental Approvals development costs of approximately \$2.4M can be
12 attributed predominately to the following:

- 13 • inclusion of some contingency costs in the updated cost, as the risk has been realized,
14 (\$150K); and,
- 15 • increases in approach to environmental approvals and scope of studies and consultation
16 (\$2.2 million).

17
18 Contingency costs realized of \$150K in the updated cost included additional activities identified
19 as potentially being required based on a very narrow scope of an EA amendment.

20
21 Additional costs attributed to changes in approach to environmental approvals and scope of
22 studies and consultation include:

- 23 • additional Stage 2 archaeology costs as differences in tower locations between
24 NextBridge and Hydro One designs became evident after additional studies were
25 completed along the route for tower siting
- 26 • a portion of the cost of the Parks Canada Detail Impact Assessment. Although either a
27 basic or detailed impact assessment is expected under CEAA, no additional cost was
28 originally included in the budget for this, as Parks Canada indicated they would allow use
29 of Hydro One's provincial EA documentation for review. However, this is now not the
30 case (as conveyed in July 2018 communication letter provided in Exhibit I, Tab 1,
31 Schedule 14) due to the more complicated scope and the addition of the Dorion route in
32 the Hydro One IEA, as outlined in the ToR
- 33 • a portion of the cost of the Dorion Route Alternatives. There were changes in the scope
34 of the Declaration Order/EA that resulted from the addition of the Dorion route
35 alternative. This increased costs for consulting, additional meetings, stakeholder
36 consultation, reporting, travel, and various studies (eg., additional visual assessment and

1 simulation around Dorion, biological, human health, cultural heritage, socio economic
2 etc.)

- 3 • a portion of about the cost of conducting an Individual EA Process concurrently with the
4 Declaration Order approach. Based on MECP feedback, the Individual IEA Process has
5 been undertaken in parallel with the Declaration order process. This results in additional
6 costs to cover the IEA process, the ToR, the increased scope and study area and different
7 processes. These cost include additional labour, consulting costs (studies for biological,
8 human health, cultural heritage, socio-economic etc.), disbursements for meetings,
9 consultations, documentation, reporting, travel.

10
11 *Regulatory & Legal Costs – Development Phase*

12
13 Regulatory and legal costs have decreased (-\$1.3M) as the original budget was based on the
14 assumption that the OEB hearings were going to be held in Thunder Bay, increasing both
15 internal, regulator, and intervenor funding costs. Additionally, with the combined hearing,
16 Hydro One now assumes that the OEB will follow a similar cost sharing approach that was
17 utilized in the NextBridge Motion to Dismiss Hearing where both transmitters will be
18 responsible for funding the procedural costs of the hearing.

19
20 *Indigenous Consultation Costs – Development Phase*

21
22 The Indigenous consultation estimate has increased by (\$1 million), which is a function of
23 increased consultation given the Environmental Assessment scope has changed from the
24 Declaration order to an Individual EA, as well as risks that have materialized and hence been
25 removed from project contingency. Although the preferred option remains the Declaration order,
26 the additional studies and resources required for an Individual EA have led to an increase in the
27 Indigenous Consultation budget to allow for the Indigenous communities to be meaningfully
28 consulted on the Project, including the EA. Also related to the change in the EA scope, Hydro
29 One is required to meet with 18 Indigenous communities and the Métis on a more frequent basis
30 than originally budgeted for. In addition, the following four Indigenous communities have
31 expressed an interest in the project and Hydro One has engaged them. Métis Nation of Ontario -
32 North Channel Métis Council, Métis Nation of Ontario – Historic Sault St. Marie Council,
33 Jackfish Métis Association, and the Ontario Coalition of Indigenous Peoples. Hydro One is
34 required to consult with any Indigenous community that expresses an interest on the Project,
35 hence the need for additional resources to accommodate the interest of these additional four
36 communities.

1 Additional costs are also associated with the need for further consultation with two of the First
2 Nations who have a real estate permit interest in the Project. Pays Plat and Michipicoten First
3 Nation have existing on reserve real estate permits that require negotiations which leads to
4 additional costs.

5
6 Hydro One's Indigenous Consultation project costs were developed in absence of the delegation
7 letter from the Crown (Hydro One requested it in November 2017 but did not receive until
8 March 2018) with regards to consultation and therefore had to be amended to reflect delegation
9 from the Crown. Hydro One anticipated that the Ministry of Energy would identify the depth of
10 consultation required for each of the 18 Indigenous communities and assumed that the 6 BLP
11 communities would be identified as requiring deeper consultation. Although this is something
12 the Ministry of Energy is required to provide as part of its MOU with Hydro One regarding
13 consultation on projects, the March 2, 2018 delegation letter identified all 18 Indigenous
14 communities as "rights-based" and therefore Hydro One was not provided with depth of
15 consultation required for each community but instead was directed to consult with all Indigenous
16 communities equally. This leads to additional time and costs than what was included in the
17 original Indigenous Consultation estimate.

18
19 *Project Management Costs – Development Phase*

20
21 Project Management cost have increased (\$0.1M) due to Development phase being shifted from
22 previously assumed LTC approval in October of 2018 to now assumed approval in January of
23 2019.

24
25 *Other Consultation Costs – Development Phase*

26
27 Other consultation costs have increased by \$0.2M due to the requirement to consult on the
28 Dorion Route alternative.

29
30 *Interest During Construction & Overhead Capitalization – Development Phase*

31
32 Interest during construction and overhead capitalization costs were initially budgeted and spread
33 among the various cost items provided in Table 2 of Exhibit B, Tab 7, Schedule 1. Hydro One
34 has a standard methodology for allocation of interest and applies an overhead capitalization rate
35 to all its projects to account for non-direct staff's time working on capital projects. This
36 overhead rate is determined by spreading a portion of overhead staff across budgeted capital
37 projects. In this update, we have shown both of these numbers as separate line items. The

1 increase in costs (\$0.4M) are a function of timing and the increase in the cost update as provided
 2 above.

3
 4 **CONSTRUCTION COSTS**

5
 6 The Project costs provided at Table 3 of Exhibit B, Tab 7, Schedule 1 for Project Costs have
 7 been amended as follows in Table 2.

8

Table 2 – Construction Costs (\$ thousand)		
	February 2018	Sept. Update
Construction	354,030	355,530
Site Clearing, Preparation & Site Remediation	104,339	104,339
Material	58,713	58,713
Project Management	5,802	6,085
Other Costs	9,451	9,451
Construction Management, Engineering, Design & Procurement	17,828	16,304
Real Estate	9,798	10,558
First Nations & Métis Consultations	1,133	3,615
Environmental Approval	819	2,423
Other Consultations	160	30
Contingency	10,775	5,401
Interest During Construction (“IDC”)	42,596	43,845
Overhead	8,502	8,506
Total Construction Cost	623,946	624,800

9
 10 *EPC Construction Costs: (Construction; Site Clearing; Material; Other costs; Construction*
 11 *Management, Engineering Design & Procurement)*

12
 13 Construction Management, Engineering, Design & Procurement cost has decreased (-\$1.5M) due
 14 to Construction phase being shifted from assumed November 2018 to now assumed February
 15 2019 and associated planned costs being allocated to the Development phase.

16
 17 The overall cost for the fixed-price EPC contract has not changed, across the development and
 18 construction phases. Through further development work on the project, it was identified by
 19 Hydro One that some relocation costs for the T1M section of line were not included in the total
 20 project estimate although they are included in the scope of EA activities. They have since been
 21 added into the Construction phase of the project at \$1.5 million. Of note, these costs are also not

1 included in the NextBridge application, and should be borne by the transmitter selected to
2 construct the project.

3 *Real Estate Costs – Construction Phase*

4
5 The cost increase for Construction of \$0.8M to the Original Application Estimated is attributable
6 to the delays outlined in the Development Costs rationale for Real Estate above.

7
8 *Project Management Costs – Construction Phase*

9
10 Project Management cost in Construction phase have increased slightly (\$0.3M) through this
11 phase.

12
13 *Indigenous Consultation Costs – Construction Phase*

14
15 Certain costs during the construction phase of the Project have been identified to have increased,
16 such as First Nations and Métis costs and Environmental Approval costs. However, these costs
17 have been off-set by the reduction in Hydro One's contingency costs. The rationale for these
18 increased costs are explained in the section above that deals with development costs.

19
20 *Environmental Approval Costs – Construction Phase*

21
22 The increase in Environmental Approval costs during the Construction phase of approximately
23 \$1.6 million can be attributed to a number of factors including:

- 24 • \$890K in contingency costs expected to be realized during the construction phase for
25 post-EA work such as permitting and additional approvals;
- 26 • changes in the approach to environmental approvals, scope of studies and consultation as
27 a result of these activities continuing past the LTC date (approximately \$714K). These
28 items include: Parks Canada Detail Impact Assessment, Dorion Route Alternatives
29 studies, and conducting the Individual EA Process concurrently with the Declaration
30 Order approach. These additional scope activities are all described in the Development
31 Phase Environmental Approval cost increases above.

32
33 *Contingency – Construction Phase*

34
35 Estimated contingency has been reduced (-\$5.4M) due to a number of risks being materialized,
36 mostly related to Environmental Approval and Indigenous Consultation. Interest during

1 construction and contingency cost have been updated to reflect the changes in the updated
 2 construction costs provided above.

3
 4 Hydro One's total Project costs are now approximately \$642M, an increase of less than 1% from
 5 the original filing and still considerably less than the original NextBridge estimate of \$777M.

6 a) An updated development cost estimate is provided as Table 3 of this response. Hydro One
 7 now expects that LTC approval will be obtained by the end of January, 2019. If approval is
 8 received by end of November or end of December, refer to Figure below for expected
 9 development costs.

10

Table 3 - Life to Date & Forecast Development Cost (\$000s)							
	Feb 15, 2018 (S.92)¹	Life to Date (31/08/2018)	End of Sept 2018	End of Oct 2018	End of Nov 2018	End of Dec 2018	End of Jan 2019
Real Estate	3,813	1,235	1,735	2,235	2,735	3,035	3,442
Engineering and Design	2,034	1,277	1,523	2,234	2,798	3,202	4,317
Environmental Approval	1,949	727	1,527	2,327	3,137	3,528	4,328
Regulatory & Legal	1,782	253	303	353	403	453	528
First Nations and Metis Consultations	983	57	357	657	1,157	1,490	1,990
Project Management	138	110	125	161	197	228	264
Other Consultations	217	223	273	323	373	402	423
Interest	100	18	16	25	35	46	195
Overhead	1,200	512	110	235	258	153	1,485
Total Development Cost	12,215	4,412	5,969	8,550	11,093	12,537	16,972

11
 12 b) There would be no change to the overall project costs. Refer to Exhibit I, Tab 4, Schedule 3
 13 for a scenario analysis that assesses the impact of regulatory approval delays will have on
 14 total project costs.

15
 16 c) Please refer to a) above.

¹ Updated to identify interest and overheads separately