

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

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

- and -

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

-and-

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

VECC COMPENDIUM PANEL
OCTOBER 11,
2018

TAB 1

STAFF INTERROGATORY #51

INTERROGATORY

Questions:

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

RESPONSE

- a) The amended Environmental Assessment Report (EA) was submitted in February 2018, with a comment period in the spring of 2018. Since that time, NextBridge has been working with the MECP and other stakeholders to review and respond to the comments received, provide revisions to the amended EA Report where required, and verify the additional commitments that may be required as part of the conditions of the EA approval. The MECP has indicated that this is an "Issues Resolution" period, which is not within the regulated timelines for the Ministerial Review process, but has happened concurrently with the preparation of the MECP's ministry Review package.

NextBridge has recently received comments from the MECP and MNRF on the EA Commitment List, and is currently addressing the comments. NextBridge anticipates submitting the finalized EA Commitment List to MECP before the end of September.



390 Bay Street, Suite 1720
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July 24, 2018

The Honourable Greg Rickford
Minister of Energy, Northern Development and
Mines, and Minister of Indigenous Affairs
5th Floor, Whitney Block
99 Wellesley Street West
Toronto, Ontario
M7A 1W1

The Honourable Rod Phillips
Minister of the Environment, Conservation and
Parks
11th Floor, Ferguson Block
77 Wellesley Street West
Toronto, Ontario
M7A 2T5

Dear Minister Rickford and Minister Phillips:

Congratulations on your recent election success and for your respective appointments to Cabinet. We are excited to have the opportunity to work with you over the coming months and years and know that, under the leadership of Premier Ford, your team will do well in representing the people of Ontario and in helping to build a more affordable, reliable electricity system for families and businesses.

NextBridge Infrastructure (NextBridge) is the licensed transmission company designated by the Ontario Energy Board (OEB) in 2013 to undertake development of the East-West Tie (EWT) Transmission Project in Northwestern Ontario. The EWT has been recognized as a priority transmission project in the 2013 and 2017 Ontario Long-Term Energy Plans, and in 2016, through an Order-in-Council, was designated as a priority project by the Executive Council of the previous government. Among other things, the Order-in-Council recognized the need for the transmission line to remove barriers to resource development in the region. Last December, the Independent Electricity System Operator (IESO) confirmed the necessity of the EWT Project and reaffirmed a recommended in-service date of 2020.

Over twelve months ago, NextBridge submitted a Leave to Construct application with the OEB and an Environmental Assessment with the Ministry of the Environment and Climate Change. Importantly, NextBridge has also entered into a critical economic partnership agreement with Bamkushwada LP, a group of six Northern Superior Anishinabek First Nations whose traditional lands are host to the Project. These include Fort William First Nation, Red Rock Indian Band, Pays Plat First Nation, Biigtigong Nishnaabeg (Ojibways of the Pic River), Pic Mobert First Nation, and Michipicoten First Nation. These communities have collectively formed an economic development organization which has trained almost 300 individuals from their communities and other surrounding Indigenous communities. They have entered into partnership with NextBridge's general contractor to prepare for contracting and employment opportunities, as well as received approximately \$9 million in provincial and federal grants to support these efforts. In addition, NextBridge has signed an economic participation agreement with the Métis Nation of Ontario to provide economic benefits, as well as contracting and employment opportunities with NextBridge's general contractor. NextBridge and its Indigenous partners are eager and ready to start construction of the EWT Project.



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Years of hard work and engagement have taken place and we remain committed to meeting the 2020 in-service date as has been identified by the IESO and the Ministry of Energy. However, we are still awaiting a decision from the OEB to grant us authority to proceed. NextBridge has repeatedly and publically noted that NextBridge needs a decision from the OEB by the end of July 2018 to ensure a 2020 in-service date.

To complicate matters further, seven months after our Application was filed, Hydro One submitted to the OEB an alternative Leave to Construct with a targeted in-service date of 2021. Hydro One's project is far less advanced than the NextBridge project from an engineering, environmental or Indigenous relationship perspective. Nonetheless, the OEB continues to process the Hydro One application, despite its inability to make a 2020 in-service date, its reliance on questionable routing assumptions, and its complete lack of indigenous support.

NextBridge and the EWT are at a critical juncture. NextBridge developed this project in good faith and relied on the 2020 in-service date as stated in the Order-in-Council by the previous government and in the IESO Needs Assessments. NextBridge currently has its general contractor in the field preparing for construction and completing sub-contractor arrangements. The construction plan has tower fabrication beginning in September 2018, access roads and clearing beginning in November 2018, and tower foundation installation and tower assembly beginning in January 2019 – all necessary to make the 2020 in-service date. NextBridge has spent more than \$60 million on this project through the end of June 2018, and costs are continuing to mount. Large financial commitments will need to be made in September to progress to a November 2018 construction start date. With no certainty regarding the timing and ultimate outcome of an OEB decision, NextBridge may be forced to cease work in advance of incurring those commitments, thus preventing timely completion of the project. This would be a regrettable outcome for Ontario. Absent a clear path forward, NextBridge would be compelled to seek recovery of the costs it has incurred to date without seeing a single shovel in the ground. More importantly, it would be a setback for the municipalities, mining companies, and Indigenous communities of Northwestern Ontario that are counting on project completion in 2020 to ensure a reliable electricity system and to promote economic growth in the region.

The Ford government has the opportunity to end the delays, and move the EWT project forward. To assist in maintaining the schedule and in serving the reliability needs of Northwestern Ontario, while securing transmission as the lowest cost option as identified by the IESO, NextBridge respectfully requests you 1) urge the OEB to make a decision on our application by the end of August 2018, and 2) consider designating NextBridge as the licensed transmitter to undertake the project. This authority exists and has been used to both prioritize and expedite transmission connections to remote communities. In our case, an Order-in-Council designating the project would align with the earlier decision to prioritize the EWT.



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We are committed to working with you and your officials to deliver this major infrastructure project, and appeal for your government to use the tools at its disposal to bring this project to fruition.

We hope to be able to meet with you in the near future to discuss our project and commitment to the North in further detail. In the meantime, if you have any questions at all, please do not hesitate to contact me directly. You can be assured of my cooperation and enthusiasm for supporting solutions on this important issue for Northwestern Ontario.

Sincerely,

A handwritten signature in blue ink that reads "J. Tidmarsh". The signature is fluid and cursive.

Jennifer Tidmarsh
Project Director, NextBridge
(President, Transmission – Canada, NextEra Energy)

cc: Mr. Stephen Rhodes, Deputy Minister of Energy
Mr. David de Launey, Deputy Minister of Northern Development and Mines
Mr. Serge Imbrogno, Deputy Minister of the Environment, Conservation and Parks

TAB 2

Tidmarsh, Jennifer

From: Tidmarsh, Jennifer
Sent: Friday, August 31, 2018 12:25 PM
To: Roth, Rick (MECP)
Cc: 'Robyn Gray'
Subject: NextBridge
Attachments: Wildlands-League-Letter-re-Hydro-One-proposal-August-2018.pdf; Key Messages HONI LTC_FNL1.pdf; Supercom letter.docx; Supercom Training.docx

Hi Rick,

Thanks so much for giving us some of your time this morning. I'm attaching an electronic copy of the Wildlands League letter, as well as a support letter from our Indigenous partners at SuperCom. NextBridge has also done an economic evaluation of HONI's bid compared to NextBridge's so you can see that the contrast in our bids.

If you have any other questions, I'd be happy to chat anytime.

And good luck in your campaign bring Robyn on board to revamp the EA process – I'm supportive! ☺

Have a great long weekend,
Jennifer

Jennifer Tidmarsh | President, NextEra Energy Transmission - Canada
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Please consider the environment before printing this e-mail. Thank you



COMPARISON OF NEXTBRIDGE'S EAST WEST TIE PROJECT TO HYDRO ONE'S LAKE SUPERIOR LINK PROJECT

NEXTBRIDGE EAST WEST TIE IS FULLY DEVELOPED AND READY TO MEET THE NEEDS OF NORTHERN ONTARIANS. HYDRO ONE'S PROJECT STILL LACKS SIGNIFICANT MILESTONES AND OBJECTIVES.

	Construction Milestones				Regulatory Approvals		Reliability
	In-Service Date	Cost Estimate	Indigenous Participation	Cost (\$ MM)	Environmental Assessment	Federal Park Crossing	
NextBridge	 2020	 Class 2 AACE	 All 18 communities	 \$737	 Expected Fall 2018	 Not needed	 In-service by 2020 and not using single towers
Hydro One	 2021 Unlikely	 Class 3 AACE	 No communities	 \$637	 Two year minimum process from April 2018	 Still under review	 Single towers through park and questionable in-service increase risk

HYDRO ONE'S REALISTIC COSTS ARE HIGHER THAN NEXTBRIDGE'S AND COULD BE AS HIGH AS \$1.1 BILLION¹ WITHOUT MEETING POLICY AND STAKEHOLDER OBJECTIVES OF 2020 IN-SERVICE DATE

Hydro One LTC project cost estimate

NextBridge development spend to end of Aug	
NextBridge wind up costs	
Cost to the Electricity System if not in service by 2020	
Inflation	
Potential cost increase based on Class 3 AACE estimate	
Indigenous participation in construction	
Indigenous participation to negotiate agreements	
Indigenous consultation	
Environmental assessment	
Routing around Pukaskwa Federal Park	
Contingency	

HONI realistic estimate

NextBridge construction cost	
HONI additional cost	

Min (\$ MM)	Max(\$ MM)
\$ 637	
35.2	35.2
1.0	5.0
21.0	145.7
0.0	78.9
31.8	63.6
7.0	7.0
3.4	3.4
0.0	12.0
7.8	7.8
0.0	80.0
0.0	28.6
744.2	1,104.2
\$ 737	
7.2	367.2

¹ All costs are in nominal dollars

NEXTBRIDGE'S LEAVE TO CONSTRUCT WAS FILED ON JULY 31, 2017

- NextBridge needed an approval by July 31, 2018 to maintain schedule.² It has been over one year and hearing dates have just been set beginning October 2, 2018.
- If not awarded a Leave to Construct, NextBridge will seek recovery of:
 - additional spend of \$35.2 million above LTC filing costs of \$40.2 million³
 - additional wind up costs of \$1 million to \$5 million⁴

HYDRO ONE LEAVE TO CONSTRUCT WAS FILED ON FEBRUARY 15, 2018

- Hydro One states it needs an approval by October 2018 to maintain a 2021 in-service date
- With a hearing date set to begin on October 2, 2018, this assumption is unreasonable

IN-SERVICE DATE

- IESO has provided two Needs Assessments, and a recent addendum that confirms at 2020 in-service date
- Government issued an Order in Council in 2016 for a 2020 in-service date
- HONI states a 2021 in-service date
 - However, was filed under the impression they could route a line through the Federal Park and could use NextBridge's Environmental Assessment as their own.
- 2024 is a more realistic in-service date given HONI needs an Environmental Assessment and Indigenous participation and consultation
 - IESO has calculated annual costs to the electric system if the East-West tie is not in-service by 2020.⁵ The costs to the electric system will have a minimum cost of \$21 million under a 2021 in-service date and \$145.7 million under a 2024 in-service date.
 - NextBridge's estimated construction costs have been escalated for inflation based on the period the day after the filing of the LTC and continuing to the in-service date of 2020.
 - If 2024 is the in-service date, HONI's costs will be subject to inflation of up to \$71.5 million.⁶

CLASS COST ESTIMATE

- NextBridge has put its cost estimate together with knowledge from the market and a RFP for the General Contractor was undertaken
- HONI has sole sourced the General Contractor work to SNC Lavalin

² Updated Schedule in response to Procedural Order No. 3 filed May 3, 2018

³ Letter sent August 2, 2018 to Premier Ford & Minister Rickford

⁴ HONI Motion to Dismiss Hearing Undertaking JT1.18 filed May 25, 2018

⁵ IESO Project System Cost Impact Analysis filed July 26, 2018 (in 2017 dollars)

⁶ Assumed HONI estimate in 2021 in-service with 2.5% inflation

- After 4 years of design work, NextBridge has a cost estimate that is equivalent to a Class 2 project definition under the AACE International (formerly the Association for the Advancement of Cost Engineering)
 - In testimony to the OEB, HONI has confirmed their cost estimate is based on a lesser estimate to NextBridge's of Class 3 ⁷
 - The difference between a Class 2 and a Class 3 estimate is a potential increase of 5-10% or \$31.8 million to \$63.6 million

INDIGENOUS PARTICIPATION

- NextBridge worked for 4 years to reach deals with both the Metis Nation of Ontario and Bamkushwada. HONI states they will do so in 45 days.
- HONI's LTC did not include any costs for Indigenous participation which means \$7.0 million of costs are missing from HONI's LTC.⁸
- Indication from some communities is that they will ask for more from HONI and will not repeat the same arrangement.
- NextBridge's contractor has spent a year negotiating jobs/contracting/training with the communities. SuperCom economic development corporation has been formed to enable these activities.
- Currently training 300 Indigenous community members in partnership with Confederation College and received \$9.0 million in funding from various provincial and federal ministries.
- HONI did not include any costs for Indigenous participation to negotiate agreements which means \$3.4 million of costs are missing from HONI's LTC. ⁹

INDIGENOUS CONSULTATION

- In order to meet its delegated Duty to Consult, NextBridge has been consulting with 18 First Nation and Métis communities
- HONI was delegated the same Duty to Consult by the Ministry of Energy
- HONI has budgeted \$1.0 million to meet this constitutional duty. After 4 years of experience, NextBridge has budgeted \$13.0 million. HONI's estimate is very low. ¹⁰

ENVIRONMENTAL ASSESSMENT

- HONI filed their Leave to Construct with the assumption they would have the Ministry of Environment hand NextBridge's Environmental Assessment over for HONI's use
 - The Ministry has since denied this request in front of the OEB in testimony in the Motion to Dismiss
- HONI did not include Environmental Assessment costs in their LTC which would add an additional \$7.8 million to the estimate.¹¹
- HONI initiated its own Environmental Assessment in April of this year

⁷ HONI Motion to Dismiss Hearing Undertaking JT1.18 filed May 25, 2018

⁸ NextBridge's Leave to Construct filed July 31, 2017

⁹ Development Cost Hearing Undertakings filed July 23, 2018

¹⁰ NextBridge's Leave to Construct filed July 31, 2017

¹¹ Development Cost Hearing Undertakings filed July 23, 2018

- The Ministry of Environment testified at the OEB that a typical Environmental Assessment of this size would take at least 2 years to complete
- NextBridge has completed its Environmental Assessment and it will be submitted for Ministerial review shortly

FEDERAL PARK CROSSING – PUKASKWA PARK

- NextBridge investigated going through the Park, but Parks Canada refused the request based on the potential aesthetic and environmental impacts
- HONI has asked Parks Canada to allow them to go through the Park in November 2017 and the decision is still outstanding
 - HONI has indicated it needs a decision from Parks Canada by October 2018
- Pukaskwa Park has Species at Risk including caribou in the park
- There is an outstanding Federal land claim from Biigtigong Nishnaabeg that needs consultation with Indigenous communities
- Environmental NGOs (ex. Wildlands League) have opposition to going through the Park
- To go through the Park, the line will become less reliable since only one set of towers can be used instead of two (creates a single point of failure for the whole line)
- If HONI is not allowed to go through the park, an additional cost of \$80.0 million should be expected¹²

RELIABILITY

- IESO Needs Assessments for the East West tie:
 - December 15, 2015 – indicates 2020 in-service date
 - December 1, 2017 – indicates 2020 in-service date
 - July 23, 2018 – indicates 2020 in-service date
- Order in Council (2016) – indicates a priority and needed in 2020
- Municipal stakeholders have indicated need for reliable electricity to ensure economic growth in the region (ex. Common Voice Northwest, NOMA, City of Thunder Bay)
- Costs to the system have been calculated if the line is not in service by 2020

CONTINGENCY

- As part of NextBridge's construction cost estimate a contingency amount was included of 6%. HONI included a contingency of 1.5%
- Typical project contingencies are between 5-10%
- NextBridge estimates a potential increase in HONI's contingency of 4.5% or \$28.6 million

¹² HONI cost from LTC is \$1.6M per km for an additional 50 km

TAB 3



Twelve individuals from local Supercom communities line up on their first day of powerline technician training!

TAB 4

STAFF INTERROGATORY #54

INTERROGATORY

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

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

Questions:

- a) Please explain what costs are included in the Operations & Maintenance category. To the extent that there are any costs included in this category beyond overhead line maintenance and vegetation maintenance, please explain what those costs are.
- b) Please provide a detailed explanation as to how NextBridge calculated the approximately \$1.27 million costs for Operations & Maintenance.
- c) Please explain how much of this is attributable to overhead line maintenance, vegetation maintenance and other costs.
- d) Please explain what costs are included in the Regulatory category.
- e) Please provide a detailed explanation as to how NextBridge calculated the \$205,000 costs for the Regulatory category.
- f) Please explain what costs are included in the Compliance category and the amounts attributable to each cost sub-category.
- g) Please provide a detailed explanation as to how NextBridge calculated the approximately \$3.25 million costs for the Compliance category.
- h) Please explain the difference between the Regulatory and Compliance categories.
- i) In its Lake Superior Link application, Hydro One forecasts OM&A costs of approximately \$1.5 million.
 - i. Has NextBridge reviewed its proposed OM&A costs to see whether it could find further efficiencies to reduce its proposed OM&A costs? If so, please describe what steps NextBridge has taken and whether NextBridge is able to lower its forecasted OM&A costs.

RESPONSE

- a) There are four major components in the Operations & Maintenance category that total the approximate \$1.27 million. These components include:
- a. Third party conducting vegetation inspections and maintenance - \$463k
 - b. Third party conducting overhead transmission line inspections and maintenance - \$365k
 - c. NextBridge personnel who will supervise contractors and conduct the vegetation and overhead transmission line maintenance activities – \$390k
 - i. Payroll - \$260k
 - ii. Office - \$44k
 - iii. Vehicles - \$72k
 - iv. Tools, communications and miscellaneous - \$14k
 - d. System Operations - \$54k: Personnel who will monitor the performance of the overhead transmission line and coordinate outages with HONI and IESO.
 - i. Energy Management System and System Operations personnel for monitoring - \$14k
 - ii. Training of personnel and technical support for monitoring systems - \$40k
- b) NextBridge calculated the approximately \$1.27 million costs for Operations & Maintenance as follows:
- a. NextBridge estimated the vegetation and overhead transmission line maintenance costs based on line mileage and terrain. These estimates included annual aerial or ground inspections and associated follow-up activities identified through the inspections.
 - b. NextBridge estimated the costs associated with establishing a local presence comprised of two fulltime personnel, office, vehicles, communications, and miscellaneous tools and supplies. The personnel would have direct management of contract personnel required to inspect and maintain the ROW vegetation and the overhead transmission line.
 - c. NextBridge estimated the costs associated with monitoring the overhead transmission line remotely through an Inter-Control Center Communications link and coordinating any outages required between NextBridge and HONI.
- c) Please see NextBridge's response to part a) of this interrogatory.
- d) Costs included in the Regulatory category of the OM&A budget relate to anticipated annual activity in support of the EWT Line Project. The following table sets forth the expected annual regulatory activities and the associated estimated costs.

Annual Activity	Estimated Time	Estimated Cost (Rounded to nearest thousand)
Annual Filings (licence fees/renewal, RRR filings, affiliate declaration)	60 hrs	\$15,000
Periodic Filings (quarterly deferral account balances)	100 hrs	\$23,000
Limited OEB/IESO activity monitoring	100 hrs	\$23,000
General support	300 hrs	\$69,000
External counsel support	100 hrs	\$75,000
Total:		\$205,000

General support represents approximately 15 hrs/month for an in-house lawyer, and approximately 10 hours/month for one regulatory staff (non-lawyer). External counsel support represents approximately 8 hours/month of external counsel time.

- e) Please see NextBridge's response to part d) of this interrogatory.
- f) Please see NextBridge's response to part g) of this interrogatory.
- g) The annual budget estimate for Compliance, updated for further efficiencies, is \$2.45 million as outlined below:

Annual Activity	Estimated Cost (Rounded to nearest thousand)
Updating Line List	\$7,000
Annual filings for Land Matters	\$2,000
Legal counsel for Land Matters	\$7,000
Audit/Tax Filing Fees	\$61,000
Office Charges	\$115,000
Internal/External Labour & Expenses	\$1,003,000
Stakeholder Relations Program	\$254,000
Indigenous costs (land, participation)	\$1,000,000
Total	\$2,449,000

Updating Line Lists costs reflect the estimated effort associated with the refresh of the landowner line list to capture any changes in land ownership, address changes or encumbrances on title.

Annual filings for Land Matters are estimated labour costs associated with reporting for the Ontario Energy Board and support activities associated with compliance undertakings by the various Ministries to support NextBridge Environment work.

Legal counsel for Land Matters are estimates of the legal support required for land matters.

Audit/Tax Filing Fees are based on what is currently being incurred during the development period/post LTC submission period.

Office Charges reflect an estimate of the office space requirements for the post in-service date.

Internal/External Labour & Expenses reflect the back office requirements, i.e. support staff and work requirements necessary to administer a utility in Ontario. This forecast is based on the hours and charge-out rates that are currently incurred in the development period/post LTC submission period as a basis to estimate post in-service date expenses.

Stakeholder Relations Program costs such as labour and newsletter/mailings are based on historical spending on the project and adjusted to reflect the anticipated effort for the post in-service period.

Indigenous costs (land, participation) are costs based on already negotiated permits to cross reserves.

- h) Costs included in the Compliance category of the OM&A budget relate to anticipated annual activity in support of ongoing operation of the EWT Line Project for land, legal (outside of regulatory), project management, stakeholder relations, and indigenous expenses. Costs included in the Regulatory category of the OM&A budget relate to anticipated annual activity in support of ongoing operation of the EWT Line Project for annual filings, periodic filings and regulatory legal support.
- i) NextBridge has reviewed its proposed OM&A costs and identified further efficiencies that reduce its proposed OM&A. These efficiencies are reflected in NextBridge's response to part g) of this interrogatory and are primarily the result of a reduction to certain environmental program expenses, office costs and in the Labour & Expenses forecast.

TAB 5

STAFF INTERROGATORY #53

INTERROGATORY

Questions:

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

RESPONSE

- a) The most recent summary of non-Indigenous consultation activity is available in NextBridge's July 23, 2018 Report at pages 3-5. Non-Indigenous consultation since the July 2018 report has focused on landowners and other directly affected stakeholders, including municipalities.

NextBridge continues to engage property owners with respect to the land rights required for all property interests affected by the proposed transmission line and related facilities. This includes private landowners and tenants, municipalities, provincial Crown agencies, federal Crown agencies, railway and other utility companies, and Crown land occupants such as mining claim and leaseholders and land use permit holders. In addition to maintaining an open and transparent dialogue with property owners with respect to land rights, NextBridge has been consulting over the last four-months with affected landowners and interest holders regarding ongoing pre-construction reconnaissance and environmental field studies occurring across the project area. This has included consultation with Crown land users such as bear outfitters or trappers to avoid disturbance to their activities as well as site meetings with representatives of affected recreational clubs to review the proposed project plans and address concerns and/or issues. Regular communication has also occurred with these stakeholders regarding project status. In March and May of 2018, in the spirit of maintaining open and respectful relations, NextBridge issued letters to affected property owners to provide an update on the project and status of associated Leave to Construct proceedings, including clarity on Hydro One's alternate project proposal and the impact to property interests.

STAFF INTERROGATORY #57

INTERROGATORY

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

Questions:

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

RESPONSE

- a) NextBridge continues to work with Hydro One to address the proposed line crossings. NextBridge has worked with Hydro One to agree on technically sound, industry accepted approaches to crossing Hydro One existing lines. NextBridge has also agreed to standards above what it considers industry accepted standards for crossing, because Hydro One required higher standards. Recently, Hydro One has introduced new requirements. For example, Hydro One has introduced a new requirement of adding a maintenance buffer around lower voltage towers. To resolve all outstanding issues including the request to impose new requirements after nearly 2.5 years of discussions, NextBridge has proposed to meet with Hydro One and conduct a technical workshop to better understand Hydro One's issues with the EWT Line Project design and Hydro One's new crossing requirements.

Given the amount of due diligence that NextBridge has conducted on crossing Hydro One's lines, NextBridge is well positioned to file a Section 101 application to approve certain crossing within 1 month of Leave to Construct (LTC) approval for issues that cannot be resolved between now and LTC approval. The Section 101 process is

anticipated to take approximately 5 months, and, therefore, not expected to affect the construction schedule or budget.

- b) No, NextBridge has not awarded the tower supply contract to date; rather, two suppliers have been shortlisted based on costs, technical compliance, delivery schedule and commercial terms acceptable to NextBridge. The costs submitted by the shortlisted tower vendors are within the amount budgeted in NextBridge's construction cost estimate. NextBridge intends to finalize negotiations and execute a tower supply contract shortly after approval of NextBridge's LTC application.



ONTARIO ENERGY BOARD

FILE NO.: EB-2017-0182
EB-2017-0194
EB-2017-0364

Upper Canada Transmission Inc. (on
behalf of NextBridge Infrastructure)
and Hydro One Networks Inc.

VOLUME: 4

DATE: October 9, 2018

BEFORE:	Christine Long	Presiding Member
	Allison Duff	Member
	Michael Janigan	Member

1 are included? Are they included in the administration or
2 operations?

3 MR. FAYE: In the administration category.

4 MR. MURRAY: And can you tell me how you arrived at
5 the \$200,000 amount?

6 MR. FAYE: That is based on experience. Hydro One
7 locates transmission lines across the province in 24 First
8 Nation reserves. That's based on our policy and formulas
9 surrounding land rentals in our PIL policy.

10 MR. MURRAY: Are there any other Indigenous
11 participation costs included in the annual OM&A numbers of
12 Hydro One?

13 MR. SPENCER: No. One of the differences between the
14 two proposals is that the largest form of participation
15 comes in the form of equity ownership, as opposed to any
16 sort of ongoing expense, perhaps might be included in these
17 numbers.

18 MR. MURRAY: Do you feel that there should be any
19 additional amounts for ongoing Indigenous participation as
20 part of the OM&A costs?

21 MR. SPENCER: I can speak to how we've structured our
22 project and ultimate ownership, that we would not seek an
23 annualized fee in addition to -- aside from what my
24 colleague, Mr. Fair, referred to for land rights payments.

25 We view our participation comes in the form of larger
26 percentage of equity ownership, which is what we felt was
27 prudent. So I won't want to pass judgment on what the
28 other proponent has proposed in theirs.

1 MR. MURRAY: So we don't know the exact amount that
2 NextBridge is currently paying for rents, though intend to
3 ask the question in cross-examination of them.
4 Let's assume for a minute it is the whole amount.
5 One million dollars is for rents to cross the reserves;
6 that is the agreement they entered into. Is there any
7 reason to believe those First Nations would agree to any
8 amount less than one million dollars for Hydro One to cross
9 those reserves?

10 MR. FAYE: In my opinion, if this million dollars was
11 an annual amount for land rental for sighting of the line,
12 it is misguided and completely off base from any kind of
13 industry standard or industry way of approaching land
14 rights with First Nations for sighting any major
15 infrastructure.

16 MR. MURRAY: Absent approval or consent of the First
17 Nations, are you able to cross their reserves? Like, is
18 there like the equivalent of an expropriation process for
19 those lands?

20 MR. FAYE: No, not to my belief, no.

21 MR. MURRAY: So to the extent they didn't agree to,
22 for example, the \$200,000 and they insisted on a larger
23 amount -- for example, a million dollars -- is it fair to
24 say that Hydro One has two options; one is to either pay
25 the higher amount or the other option is to go around the
26 reserve.

27 MR. FAYE: If I could just to backtrack on how we
28 arrived at that approximate \$200 land rental payment, it is

1 based on recent -- recent finalized 28-2 permit agreements
2 with First Nations, in line with our policies that we have
3 had success with.

4 Again, I would basically state that I am confident in
5 those numbers in approaching a settlement with the impacted
6 -- the directly impacted First Nations within reserve
7 lands.

8 MR. MURRAY: But ultimately, if you aren't successful
9 and they insist upon \$1 million to cross the reserves, am I
10 right saying there's two options? One is either you pay
11 that annual amount, or the other option is you take the
12 line around the reserves; is that fair?

13 MR. FAYE: I think using NextBridge as a measuring
14 stick in the million dollar land rental ongoing payment
15 they have offered to those directly impacted First Nations
16 is not a fair assessment.

17 So saying that there is one option or another I don't
18 think is a fair assessment. Again, we believe strongly in
19 our approach with First Nations and sighting transmission
20 lines across the province. We have had recent success
21 based on that methodology.

22 Again, I would -- I wouldn't be able to give you a
23 straight answer on those two options.

24 MR. MURRAY: Is there a third option? Is there
25 something beyond those two? Like either you reach an
26 agreement to cross the reserve, or you go around the
27 reserve. Is there some other option I am missing here?

28 MR. FAYE: Not to my belief, no.

1 based on recent -- recent finalized 28-2 permit agreements
2 with First Nations, in line with our policies that we have
3 had success with.

4 Again, I would basically state that I am confident in
5 those numbers in approaching a settlement with the impacted
6 -- the directly impacted First Nations within reserve
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9 and they insist upon \$1 million to cross the reserves, am I
10 right saying there's two options? One is either you pay
11 that annual amount, or the other option is you take the
12 line around the reserves; is that fair?

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18 think is a fair assessment. Again, we believe strongly in
19 our approach with First Nations and sighting transmission
20 lines across the province. We have had recent success
21 based on that methodology.

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23 straight answer on those two options.

24 MR. MURRAY: Is there a third option? Is there
25 something beyond those two? Like either you reach an
26 agreement to cross the reserve, or you go around the
27 reserve. Is there some other option I am missing here?

28 MR. FAYE: Not to my belief, no.

1 MR. SPENCER: Distinctly from the real estate
2 dimension, I would suggest no. The two scenarios are
3 probably a logical approach. But of course this is one
4 factor in a multitude of variables that we hope to
5 eventually be able to speak to as part of the consultation
6 around economic participation.

7 We have approached this differently from NextBridge,
8 no doubt in many ways, and Ms. Goulais will just elaborate
9 in a moment. But the biggest difference perhaps is our
10 increased participation through ownership in the line,
11 which is consistent with how we have approached other
12 projects in Ontario, and we feel offers lasting benefits in
13 the order of a \$30 million differential that we have
14 previously spoken to from our May evidence, by having
15 greater participation and ownership in the lines.

16 MS. GOULAIS: If I may just add to Mr. Fair's response
17 in terms of how did we come up with these numbers and if
18 we're looking at a comparison. I think that's -- I think
19 the important point to make here is that Hydro One does
20 have existing transmission assets in 24 First Nation
21 communities.

22 So we have the experience in understanding, permitting
23 and negotiating with communities on that.

24 We have to base our negotiations on fairness, because
25 we do have assets across the province and we have that
26 ongoing relationship.

27 We do not have the ability to negotiate with the two
28 communities on this project differently than we would with

TAB 6

OEB Staff Summary of the Evidence on Costs

Development Costs of NextBridge-EWT and Hydro One-LSL Proposals

	NextBridge	Hydro One
Development Costs	\$40,127,000¹	\$16,972,000²

Construction Costs of NextBridge-EWT and Hydro One-LSL Proposals

	Category	NextBridge	HONI – Through the Park ³	HONI- Around the Park ⁴
	Route Length	443 km	403 km	443 km
1	Engineering, Design & Procurement	\$19,342,245	\$16,304,000	\$18,289,939
2	Materials & Equipment	\$89,408,231	\$58,713,000	\$64,584,000
3	Environmental Approval/Monitoring/Mitigation	\$13,030,561	\$2,423,000	\$2,422,851
4	Land Rights	\$23,830,512	\$10,558,000	\$10,558,054
5	Indigenous Participation	\$7,000,000	Included in 8 – Site Clearing, Access	Included in 8 – Site Clearing, Access
6	Indigenous Consultation	\$13,211,000	\$3,615,000	\$3,614,637
7	Other Stakeholder Engagement	\$2,530,194	\$30,000	\$30,000
8	Site Clearing, Access	\$107,463,339	104,339,000	\$116,860,000
9	Construction	\$356,547,573	\$355,530,000	\$373,232,000
10	Site Remediation	\$13,898,699	Included in 8 - Site Clearing, Access	Included in 8 – Site Clearing
11	Interest During Construction	\$31,003,000	\$43,845,000	\$46,388,481
12	Contingency	\$49,339,445	\$5,401,000	\$5,401,254
13	Regulatory	\$5,405,078	Included in 15 - Overhead	Included in 15 - Overhead
14	Project Management	\$4,900,644	\$6,085,000	\$6,085,000
15	Overhead		\$8,506,000	\$8,887,658
16	Other Costs		\$9,451,000	\$9,481,000
	Total Cost – Construction	\$736,970,521	\$624,800,000	\$665,834,874

Annual OM&A Cost of NextBridge-EWT and Hydro One-LSL Proposals

	Category	NextBridge	HONI – Through the Park	HONI- Around the Park
17	NextBridge: Maintenance	\$1,218,147		
18	NextBridge: Operations	\$54,000		
19	NextBridge: Regulatory	\$205,000		
20	NextBridge: Compliance, including administration	\$2,449,000 ⁵		
21	Hydro One: Vegetation Maintenance		\$340,000	
22	Hydro One: Overhead Lines Maintenance		\$277,000	
23	Hydro One: Operations		\$647,000	
24	Hydro One: Administration		\$235,000	
	Average Total Annual OM&A Costs	\$3,926,147	\$1,499,000	

¹ Based on information provided in response to VECC Interrogatory 1 at Exhibit I, NextBridgeVECC.1, Page 1 of 2, filed on September 24, 2018.

² Based on updated information provided in response to OEB Staff Interrogatory 11 at Exhibit I, Tab 1, Schedule 11, Page 2 of 8, filed on September 24, 2018.

³ Based on updated information provided in response to OEB Staff Interrogatory 11 at Exhibit I, Tab 1, Schedule 11, Page 6 of 8, filed on September 24, 2018.

⁴ Based on information provided in response to Undertaking JT.2.20 at Exhibit JT.2.20, filed on May 25, 2018, updated to reflect changes in response to OEB Staff Interrogatory 11 at Exhibit I, Tab 1, Schedule 11 filed September 24, 2018.

⁵ Based on updated information provided in response to OEB Staff Interrogatory 54(g) at Exhibit I, NextBridge.STAFF.54, Page 4 of 5, filed on September 24, 2018.