

November 15, 2018

RESS & COURIER

Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary


Dear Ms. Walli:

**Re: Wataynikaneyap Power LP - Application to Establish Deferral Account for
Distribution System Costs (EB-2018-0267)**

We are legal counsel to Wataynikaneyap Power GP Inc. and Wataynikaneyap Power LP (together, "WPLP"), which is the applicant in the above-referenced proceeding.

On behalf of WPLP, and in accordance with the Notice of Hearing and Procedural Order No. 1 dated October 26, 2018, please find enclosed two copies of WPLP's response to the November 9, 2018 comments filed by OEB staff. These materials have also been filed electronically on the Board's Regulatory Electronic Submission System (RESS), with a copy served on all parties.

Yours truly,



Jonathan Myers

cc: Ms. Margaret Kenequanash, WPLP
Mr. Duane Fecteau, WPLP
Mr. Charles Keizer, Torys LLP

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, C.S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP for an Order or Orders pursuant to subsection 78(2) of the *Ontario Energy Board Act, 1998* for approval to establish a deferral account to record and facilitate the future recovery of costs relating to its planned distribution system;

AND IN THE MATTER OF an Application by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP for an Order or Orders pursuant to subsection 74(1) of the *Ontario Energy Board Act, 1998* for an amendment to its electricity distribution licence to provide for certain exemptions from the Retail Settlement Code.

APPLICANT RESPONSE TO COMMENTS ON THE APPLICATION

Introduction

Wataynikaneyap Power GP Inc., as the general partner on behalf of Wataynikaneyap Power LP (“WPLP” or the “Applicant”), filed an application on September 7, 2018 for an Order of the Ontario Energy Board (the “Board”), pursuant to subsection 78(2) of the *Ontario Energy Board Act, 1998* (the “Act”), to establish a deferral account, to be known as the “Wataynikaneyap Distribution System Deferral Account” (the “Deferral Account”), for the purposes of recording and facilitating the future recovery of costs incurred from the date WPLP’s distribution system, which is now being constructed between Red Lake and the Pikangikum First Nation Reserve (the “Pikangikum System”), goes into service until such time as the Pikangikum System is incorporated into and becomes part of WPLP’s planned transmission system.

In addition, WPLP’s application seeks an amendment to its electricity distribution licence to provide for certain exemptions from the Retail Settlement Code (“RSC”) to simplify the settlement process given that WPLP will be both an embedded distributor in relation to Hydro One Networks Inc. (“HONI”) and a host distributor to its sole customer Hydro One Remote Communities Inc. (“HORCI”).

On October 26, 2018, the Board issued a Notice of Hearing and Procedural Order No. 1 in which it invited HONI, HORCI and the Independent Electricity System Operator (“IESO”), as well as Board staff and any other interested persons, to file written comments on the application. The Board also provided an

opportunity for WPLP to file responding comments. The only comments filed were from Board staff. The following are WPLP's responding comments.

Summary of Board Staff Comments

Board staff has no objections to WPLP's application.

With respect to WPLP's proposed deferral account, Board staff agrees with the Applicant that the Board's criteria for establishing a deferral account – causation, materiality and prudence – are met. Board staff also notes the similarity of this request to the deferral account that was approved by the Board in EB-2016-0262 to track development costs in connection with WPLP's transmission project. Board staff asks that WPLP confirm the nature of the capital costs that would be recorded in the proposed deferral account and to clarify whether those amounts will include any amounts that will already have been recorded in the deferral account that was approved in EB-2016-0262. Board staff also suggests that WPLP revise its draft accounting order to better accord with the Accounting Procedures Handbook.

With respect to WPLP's proposed exemptions from the RSC, Board staff has no objections and agrees that the request is reasonable given the unique circumstances of the Application. Board staff also notes the September 19, 2018 letter from HONI, which confirms that all affected parties – HONI, HORCI and the IESO – are amenable to the alternative settlement arrangements that are planned in relation to the Pikangikum System and which are the basis for WPLP's requested RSC exemptions.

In addition, Board staff notes that the name of the Applicant's general partner has changed from 2472883 Ontario Limited to Wataynikaneyap Power GP Inc. and comments that the Board should take this opportunity to amend the licence to reflect this change.

Response to Board Staff Comments

Nature of Capital Costs

WPLP has asked to establish the Deferral Account for the purpose of recording costs incurred by WPLP in respect of the Pikangikum System, from the date the Pikangikum System goes into service until such time as the Pikangikum System is incorporated into and becomes part of WPLP's transmission system. As noted in the Application, all or substantially all of the capital costs of developing and constructing the Pikangikum System are being paid for through funding provided by Indigenous and Northern Affairs Canada

(“INAC”).¹ The Deferral Account will be used to record the operating, maintenance and administration (OM&A) costs for the Pikangikum System, as well as any capital costs that may be incurred after the in-service date of the Pikangikum System and that are not paid for by the INAC funding.² As such, no capital costs that are incurred prior to the in-service date will be recorded in the Deferral Account. Moreover, to the extent that WPLP incurs capital costs after the in-service date that are covered by the INAC funding, such amounts would not be recorded in the Deferral Account.

WPLP confirms that no amounts that have or that will be recorded in the deferral account established in EB-2016-0262 will be recorded in the currently proposed Deferral Account. In EB-2016-0262, WPLP obtained approval to establish the Wataynikaneyap Power Development Deferral Account. That account was established for the purpose of recording costs incurred in relation to the development of WPLP’s transmission project. As noted during that proceeding in response to Board Staff Supplemental IR 4(b), the development costs for the Pikangikum System were not included in the estimate of the development costs for the transmission project filed in support of that application. It was explained there that the development costs for the Pikangikum System have been 100% funded by INAC to expedite grid-connection of Pikangikum as a stand-alone project. As such, development costs and funding for the Pikangikum System have been tracked separately from development costs for WPLP’s transmission project. Moreover, in its March 23, 2017 Decision and Order in EB-2016-0262, the Board notes at p. 4 that WPLP “did not seek to record in the deferral account costs associated with developing the line to Pikangikum”.

The Deferral Account now being proposed is intended to capture amounts that are (1) not covered by INAC funding, and (2) not within the scope of the transmission project development costs deferral account established in EB-2016-0262. As such, WPLP would only record in the proposed account its OM&A costs associated with the Pikangikum System during the temporary period during which it is in operation, as well as any capital costs incurred during that period, except to the extent such costs may be covered by INAC funding. As described in Exhibit E, Tab 1, the OM&A costs are expected to relate to activities such as line patrols, substation inspections, equipment testing, corrective maintenance, control room monitoring, vegetation management, outage and emergency response and compliance processes. The capital costs to be incurred during the interim operating period and recorded in the proposed account are difficult to predict,

¹ INAC is being transitioned into (1) Indigenous Services Canada, and (2) Crown-Indigenous Relations and Northern Affairs Canada.

² See Application, Exhibit B, Tab 1, para 11, p. 4; Exhibit E, Tab 1, p. 1

but are expected to depend to a significant extent on factors such as the extent of any damage that may be caused to the system by severe weather or other catastrophic events which are outside of WPLP's control.

Draft Accounting Order

WPLP does not object to Board staff's suggested revisions to the draft accounting order, as set out in Appendix A to their November 9, 2018 submission. WPLP agrees that use of the additional sub-accounts would better align with the requirements of the Accounting Procedures Handbook, Article 220, pp. 16-17.

Alternative Settlement Arrangements

WPLP can advise that, directionally, with respect to the alternative settlement arrangements planned for the Pikangikum System, nothing has changed since the September 19, 2018 letter from HONI. WPLP can advise that, with respect to the tri-party settlement agreement between HONI, HORCI and WPLP as referenced in the letter, HONI has taken the lead role in drafting that agreement, which is expected to be in place prior to the in-service date of the Pikangikum System. WPLP can also advise that it is in discussion with each of HONI and HORCI with respect to the interconnection agreements that will be entered into with each of these parties for the Pikangikum System.

Name of WPLP's General Partner

WPLP agrees with Board staff's recommendation that this Application provides a good opportunity for the Board to amend WPLP's distribution licence (ED-2017-0236) to reflect the change in the name of WPLP's general partner from 2472883 Ontario Limited to Wataynikaneyap Power GP Inc. WPLP notes that it also holds a transmission licence (ET-2015-0264) that refers to the general partner as a numbered company. WPLP leaves it to the Board's discretion as to whether it is appropriate to amend WPLP's transmission licence concurrent with the distribution licence amendment, or to do so as part of WPLP's application for leave to construction proceeding (EB-2018-0190) which includes certain other licence amendment requests.

Update on Construction Schedule

The following presents the Pikangikum System construction and in-service milestones as set out in the Application, along with the updated actual or current estimated timelines, as applicable.

Milestone	Target Date	Actual / Current Estimate
Complete all pole and anchor installations	September 5, 2018	October 14, 2018
Complete substation transformer installation	September 24, 2018	November 12, 2018

Complete conductor stringing	October 16, 2018	November 6, 2018
Complete substation buswork and grounding	October 26, 2018	December 4, 2018
Distribution line substantial completion	November 11, 2018	December 14, 2018
Substation substantial completion	November 23, 2018	December 14, 2018
In-service date	November 23, 2018	December 14, 2018

Given the current estimated in-service date of December 14, 2018, and the need to have an order pursuant to section 78(2) of the Act prior to going in-service, WPLP requests a final order of the Board on the Application by no later than December 1, 2018. However, if the Board is not able to do so, WPLP reiterates the request made in the Application for the Board to issue an interim order authorizing WPLP to establish the Deferral Account pursuant to section 78(2) in order that WPLP can commence operation of the Pikangikum System on the planned in-service date.

Conclusions

WPLP has filed a complete Application that sets out in detail the nature of and rationale for its requests to establish the Deferral Account and obtain exemptions from the RSC to facilitate the alternative settlement framework agreed to with HONI, HORCI and the IESO. No party has objected to any aspect of the application. Board staff agrees that the criteria for establishing a deferral account have been met and found the requested RSC exemptions to be reasonable. Through these responding submissions, WPLP has confirmed that any capital costs that would be recorded in the proposed Deferral Account would be distinct from any capital costs recorded in WPLP's transmission project development costs deferral account. WPLP has also confirmed that it accepts Board staff's changes to the draft accounting order and provided an update on the status of discussions with HONI, HORCI and the IESO regarding the alternative settlement framework for the Pikangikum System. Based on the foregoing, WPLP respectfully submits that the Board approve the Application and the amended accounting order.

All which is respectively submitted this 15th day of November, 2018.

**WATAYNIKANEYAP POWER GP INC. on behalf of
WATAYNIKANEYAP POWER LP**

By its Counsel, Torys LLP



Charles Keizer

Jonathan Myers