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January 7, 2021

Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, P.O. Box 2319  
Toronto ON  
M4P 1E4

Dear Ms. Long,

**RE: EB-2020-0150 Upper Canada Transmission 2022-2031 Custom IR Application  
Energy Probe Interrogatories**

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2020-0150 proceeding, the application by Upper Canada Transmission Inc. (UCT) operating as NextBridge Infrastructure LP for OEB approval of its 2022-2031 Custom Incentive Rate-setting proposal.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi  
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe Research Foundation)  
Roger Higgin (Sustainable Planning Associates Inc.)  
Michael Price (OEB Staff)  
Jennifer Tidmarsh (NextBridge Infrastructure LP)

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**ONTARIO ENERGY BOARD**

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

**AND IN THE MATTER OF** an Application by Upper  
Canada Transmission, Inc. operating as NextBridge  
Infrastructure, LP for an Order or Orders pursuant to  
section 78 of the Act approving rates and other charges for  
transmission of electricity.

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**UCT/NextBridge 2022 to 2031 Rates Application**

**Interrogatories of  
Energy Probe Research Foundation**

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**January 7, 2021**

## UCT/ NextBridge 2022-2031 Rates Application

### Energy Probe Interrogatories

#### EP-1

**Reference:** Upper Canada Transmission, Inc. (NextBridge) Transmission Licence ET-2011-0222, Quarterly EWT Project Progress Report October 22, 2020, OEB File Number EB-2017-0182

- a) Please provide an update to the Project Cost Report Update Table (page 31 of Report). Please add a column to indicate the Projected Total Final Budget and In-Service Asset Amounts.
- b) If the projected Final In-Service cost differs from that approved in the LTC application, please provide a variance report.
- c) Please provide an update on Risk Management and the Risk on the Project and discuss the impacts and mitigation required.
- d) Is NextBridge still projecting the In Service Date as March 31, 2022(Appendix A)? If not, please provide the revised ISD and reasons for the change.
- e) Please provide an update on the Biinjitiwaabik Zaaging Anishinaabek (BZA) appeal. Please discuss how this affects the Project and participation by First Nations.

#### EP-2

**Reference:** Exhibit A, Tab 2, Schedule 1, Page 3, Recovery of \$5.331 million of pre-July 31, 2017 costs

- a) Please confirm that the \$31.24 million development costs were approved in the EB-2017-0182 Decision. Indicate any caveats e.g. audit.
- b) Please confirm that the \$5.331 million of pre-July 31, 2017 costs were not approved, but noted by the Board as eligible for consideration as construction costs (referred to as Phase Shift Costs).
- c) Please provide a detailed breakdown of the \$3.41 million Economic Participation costs.
- d) Please discuss why these Economic Participation costs are appropriately construction costs and should be recovered from ratepayers, for example as compared to the Environmental Assessment and land optioning costs.

### EP-3

**Reference:** Exhibit A, Tab 3, Schedule 1, Pages 5-7, Table 1 and Table 3; Exhibit E, Tab 1, Schedule 1, Table 3, Page 2, Table 3

**Preamble:** “NextBridge has identified capital projects in accordance with its 10-year capital plan in its TSP following the March 31, 2022 in-service date *but is not requesting these capital expenditures be included in a deferral account or added to the revenue requirement during the currently requested IR Term.* Therefore, economic assumptions concerning inflation and exchange rates that could affect the cost of the capital expenditures are not included in this Application.”

- a) Please confirm that the proposed Revenue Cap Index (RCI) is inflated at the OEB Index.
- b) Please project the RCI over the Term of the Plan under the assumption that no incremental capital except that in Table 3 is added over the 10 year term of the plan. Please reconcile with Exhibit A, Tab 3, Schedule 1, Table 9.
- c) Please indicate the result showing how much capital “head room” is available for each year of the term and the total capital for each year. Please indicate assumptions regarding revenue requirement components, including OM&A, depreciation taxes and return on capital.
- d) Please explain why UCT/Nextbridge expects to have additions to gross plant in service, and therefore rate base, annually over the IR Term but has not included them in the revenue requirement being submitted. For example, capital additions vs depreciation. Will this lead to large balances in the CCVA?

### EP-4

**Reference:** Exhibit A, Tab 3, Schedule 1, Page 10; Exhibit B, Tab 1, Schedule 4.

**Preamble:** “The majority of NextBridge’s maintenance services were competitively bid and will be awarded to a partnership between HONI and Supercom, which will result in a service level agreement to plan and organize the operation and maintenance of the assets.”

- a) Please provide a list of the services bid, the number of bidders and the range of costs (omit names except HONI/Supercom).
- b) Please provide more information on Supercom and its role in the HONI/Supercom services agreement.
- c) Please file a copy of the Service Agreement with HONI/Supercom.

## EP-5

**Reference:** Exhibit A, Tab 3, Schedule 1, Pages 10 and 11

**Preamble:** “Asset condition assessments are conducted for each asset as they reach an individual age threshold, which varies depending on asset type. They are categorized as low, fair, and high risk assets relative to their likelihood of near-term failure. Low risk assets are ‘like new’ or have not yet reached an age where condition assessment is required. Since the East-West Tie line is new, all assets fall in the ‘like new’ category.”

- a) Provide the age threshold for each major category of assets.
- b) Why is Hydro One Transmission a reasonable proxy for Asset Condition Assessments, given the province-wide location of Hydro One Transmission assets? Comment if a subset reflecting operating conditions in Northern Ontario be more appropriate? What does Hydro One Transmission use for its current line assets?
- c) Please explain why Hydro One Sault Ste, Marie would not be a better comparator than Hydro One Transmission.

## EP-6

**Reference:** Exhibit A, Tab 3, Schedule 1, Page 16, Table 6

**Preamble:** “The total OM&A expense is \$4.94 million in the Test Year (April 1, 2022 to March 31, 2023). There is no information comparing the OM&A to a change from the last approved OM&A, given this is NextBridge’s first request for revenue requirements. Further details on the OM&A costs are provided in the following Table 6.”

- a) How much of the OM&A is contracted services, including HONI/ Supercom?
- b) How much of the OM&A is controllable by UCT/NextBridge?
- c) Please list the amounts that are fixed and variable.
- d) Of the OM&A amount controlled by UCT/NextBridge please break out direct costs including Compensation Costs.
- e) Is Indigenous Participation a fixed annual amount?

## EP-7

**Reference:** Exhibit A, Tab 3, Schedule 1, Page 17

**Preamble:** “NextBridge anticipates that the initial financing of the East-West Tie line will occur after the OEB issues its decision and order in this proceeding, since the initial financing will occur in close proximity to the in-service date and NextBridge is requesting either interim or final rates prior to the in-service date. Therefore, NextBridge proposes to use a DRVA to track and conduct a one-time update to the revenue requirements at the first annual update for rates in 2023 to reflect NextBridge’s actual long-term cost of debt.”

- a) Please provide the basis of/type of financing for Long Term and Short Term debt and the rates forecast for LT and ST debt in the table on Page 17.
- b) Why cannot UCT/NextBridge not procure the initial debt required for the project? Are there specific reasons, such as the assets are not in service until April 1 2022? Please discuss.

## EP-8

**Reference:** Exhibit A, Tab 3, Schedule 1, Page 18

**Preamble:** “The establishment and approval of the accounting orders for a CCVA to be made effective the same date of the filing of this Application, as described in Exhibit H, Tab 1, Schedule 1.”

- a) What Threshold is proposed for the CCVA?
- b) Please relate this to the Revenue Requirement and the OEB guidance in this regard.

## EP-9

**Reference:** Exhibit A, Tab 5, Schedule 1, Page 1, Attachment 1: 2018 and 2019 Audited Financial Statements

- a) Please File 2020 Unaudited Statements.
- b) Please highlight/discuss major changes from 2019.

## EP-10

**Reference:** Exhibit A, Tab 6, Schedule 1, pages 3 and 4

- a) Please indicate which of the corporate entities shown in Exhibit A, Tab 6, Schedule 1, pages 3 and 4 have employees and which corporate entities do not have employees.
- b) Which corporate entities shown on pages 3 and 4 are electricity transmitters regulated by the OEB under the OEB Act?
- c) Do the electricity transmitters identified in the answer to part (b) have offices in Ontario? If the answer is yes, please provide the addresses of the offices, the number of employees who work there, and the title of the highest ranking employee who works out of each office. If the answer is no, please explain why not. If there are plans to open offices in Ontario, please describe those plans.

## EP-11

**Reference:** Exhibit A, Tab 6, Schedule 1, Page 5

**Preamble:** “In connection with the anticipated economic participation by BLP in the East-West Tie line after commercial operation date, NextBridge expects to request the OEB’s permission to transfer the transmission license from UCT to a newly established special purpose vehicle such that the transmission license and all or substantially all of the East-West Tie line assets are held by a single entity”

- a) Is the “newly established special purpose vehicle” the corporate entity identified as UCT2 on page 4?
- b) The sentence quoted in the Preamble implies that prior to the transfer the East-West Tie assets will be held by several corporate entities. Please file a table that shows the corporate entities in question, the assets held and their estimated value prior to the transfer.
- c) Please confirm there will be a period between the start of commercial operation and the transfer of assets where the rate base of UCT will consist of assets owned by different corporate entities.

## EP-12

**Reference:** Exhibit B, Tab 1, Schedule 1, Attachment 1, Page 2, IESO Letter August 2020: Exhibit B, Tab 1, Schedule 5, Attachment 3, Page 7, Table 2

**Preamble:** “To summarize, the IESO does not expect an increased risk to reliability if the project’s in-service date is delayed to March 31, 2022 and, therefore, has determined that an in-service date of March 31, 2022 does not present an unacceptable risk to reliability. If the in service date is delayed beyond March 31, 2022, but before the end of 2022, there may be additional costs to manage the resulting reliability risks; however, these costs are expected to be within the costs of the measures previously identified in the IESO’s 2018 Addendum. The IESO maintains that delays beyond the end of 2022 would create an unacceptable amount of increased risk and cost uncertainties as noted above and in the IESO’s 2018 Addendum.”

- a) What are the Costs to manage the Reliability Risk if the EWT ISD is beyond March 2022?
- b) Who will bear these costs?
- c) Does UCT/NextBridge have a high degree of confidence that additional delays are unlikely before the OEB accepting a March 31, 2022 in-service date.
- d) Why should not UCT/NextBridge be subject to Financial Penalties if the ISD is delayed beyond March 31.2022? Please discuss.

## EP-13

**Reference:** Exhibit B, Tab 1, Schedule 4, page 2

**Preamble:** “NextBridge will have two NEET personnel dedicated to field operations. In order to reduce employment and overhead costs, the individuals will be employees of NEET. The decision to use two dedicated field personnel has been based on the experience of NEET from currently operational projects. The East-West Tie project has an extensive geographic area, not only from the 450 km of ROW, but also from the access roads that are used to reach the ROW through remote and rugged terrain. The two individuals must be available to reach these areas quickly and will be based in separate areas of the line.”

- a) Please explain how having the two employees as personnel of NEET instead of UCT/NextBridge reduces employment and overhead costs?
- b) Please explain how the two NEET employees will be able to cover 450 km of ROW and how will they be able to reach ROW through “remote and rugged terrain” quickly and the duties of these two NEET employees once they arrive at a ROW location.
- c) Since there are only two employees how will NEET provide the required services if either one or both are not available due to vacation, illness, or family emergencies?



## EP-14

**Reference:** Exhibit B, Tab 1, Schedule 4, Page 7, Table 2. Quantity of Major Transmission Assets Exhibit C, Tab 1, Schedule 1, Page 2 of 3 Table 1. Gross Plant Summary (\$ M)

**Preamble:** “The asset profile, as noted in Table 2 above, provides the average age of the components and the ESL. The ESL is defined as the average time duration in years that an asset can be expected to operate under normal system conditions and is determined by similar useful life data presented in HONI’s rate case filings found in Board File No. EB-2019- 0178 and Board File No. EB-2018-0275.”

- a) Please list the Hydro One Transmission/UCT interface/connection points.
- b) Please confirm that all Stations and Transformers and associated costs are owned by Hydro One Transmission.
- c) What costs at Stations are included in UCT Assets costs?
- d) Please provide the asset life for each category in Table 2.
- e) Please provide the Net Book value of each of the the categories of assets at the ISD of March 31, 2022.
- f) Please confirm the Opening Rate Base on April 1, 2022.
- g) If the Project is delayed how will this affect Opening Rate Base?

## EP-15

**Reference:** Exhibit B, Tab 1, Schedule 4, Page 9

**Preamble:** “As explained in Exhibit F, Tab 6, Schedule 1, NextBridge, through its partner affiliate agreement with NEET will work with NEET and its affiliates to undertake a strategic and methodical asset management process, drawing upon the NEET transmission family of companies with extensive expertise and experience monitoring its transmission system assets.”

- a) Please file the NEET Service Level Agreement.
- b) When will UCT/NextBridge file an Asset Management/Transmission System Plan?

## EP-16

**Reference:** Exhibit B, Tab 1, Schedule 4, Page 12, Table 4

**Preamble:** “The maintenance services include all planned and corrective maintenance services of the transmission line assets and ROW, in accordance with the requirements and obligations of UCT’s transmission licence.”

- a) Please file the Service Level agreement with Hydro One Transmission.
- b) Please provide a version of Table 4 with the budgeted costs for each Activity.
- c) Please relate the costs to annual OM&A and Capitalized OM&A

## EP-17

**Reference:** Exhibit B, Tab 1, Schedule 6, Page 2, Table 1

**Preamble:** “The following Table 1 provides a summary of NextBridge’s overall capital expenditures plan. With the exception of expenditures in 2022 (the Test Year), none of the remaining years’ expenditures which will be requested to be included in the currently requested revenue requirement in this case nor recorded in a deferral account. NextBridge proposes to seek prudence(sic) for these expenditures as part of its next rebasing that will occur at the end of the IR Term.”

- a) Why are there no other Capital Expenditures, for example replacement of damaged assets?
- b) Please provide a Table that shows all of the Capital Expenditures for the Deferred IRM period 2022-2031, included those listed in Table 1.
- c) Why has UCT/ NextBridge not Prepared a Transmission System Plan that sets out the Assets that will be replaced during the 10 year IRM period?
- d) Please provide a projection of the UCT/NextBridge Gross and net assets and regulatory Rate Base for the IRM period.

## EP-18

**Reference:** Exhibit B, Tab 1, Schedule 7, Attachment 1, Page 17, Figure 11, CRA Benchmark Study.

- a) Please provide a Table showing the EWT Original Designation and New EWT Costs for each category
  - Towers and Fixtures
  - Poles and Fixtures
  - Structural Steel Erected
  - Overhead conductors

- b) Please indicate for each of the comparator projects
  - Number of Delivery Points
  - Transformer Stations
- c) Why have the costs of New EWT risen to equal those of the Niagara Reinforcement Project based on physical and asset characteristics? Please discuss.
- d) Please provide a tabular comparison of the New EWT to the competing Hydro One Transmission project.

## **EP-19**

**Reference:** Exhibit C, Tab 2, Schedule 4, page 1

Please file a breakout of the table that lists the work performed by Nextbridge and its affiliates as a separate column.

## **EP-20**

**Reference:** Exhibit C, Tab 2, Schedule 4, page 4

**Preamble:** “Securing a fixed price engineering, procurement, and construction (“EPC”) contract with the general contractor that assigns the risk for certain aspects of the East-West Tie line including labor cost changes, weather impacts during construction, sub-surface risk mitigation, and material costs.”

- a) Did NextBridge consider other forms of contract besides EPC such as Design-Build? If the answer is yes, please describe all forms of contract that were considered, and compare them to EPC giving reasons why they were rejected. If the answer is no, please explain why not.
- b) Please confirm that EPC is the costliest form of contract because the EPC contractor assumes risk for labour cost changes, weather impacts during construction, sub-surface risk mitigation, and material costs whereas in other forms of contract the owner assumes some of these risks.
- c) Please confirm that there is no estimate of Contingency shown in the table at Exhibit C, Tab 2, Schedule 4, page 1 because the EPC contractor has assumed all risks.
- d) Please file a breakout of the table at Exhibit C, Tab 2, Schedule 4, page 1, that shows the costs included in the EPC contract as a separate column.

## EP-21

**Reference:** Exhibit C, Tab 2, Schedule 4, page 33

**Preamble:** “NextBridge records IDC at the OEB prescribed quarterly rate for CWIP on actual expenditures from August 2017 through Q3 2020. The current quarter’s rate of 2.03% (Q4 2020 rate) was used to estimate the remaining forecasted IDC, based on the forecasted construction schedule.”

Will the IDC from Q3 2020 to the in-service date of March 31, 2022 will also be at the OEB prescribed quarterly rate for CWIP? If the answer is no, please explain why not and provide the IDC rate.

## EP-22

**Reference:** Exhibit C, Tab 2, Schedule 4, Attachment 1

Does NextBridge Infrastructure have a Procurement Policy for Affiliate Services? If the answer is yes, please file it. If the answer is no, please explain why not.

## EP-23

**Reference:** Exhibit C, Tab 6, Schedule 1, Page 1, Customer Connection & Cost recovery Agreement.

- a) Please provide an update on the status of the Agreement.
- b) How can the OEB approve the UCT/NextBridge Revenue Requirement without examining the Costs contained in the Agreement?

## EP-24

**Reference:** Exhibit D, Tab 1, Schedule 1, Page 2, Table 1, Performance Measures; Exhibit D, Tab 1, Schedule 2, Page 1

- a) UCT/NextBridge receives power at the west and delivers power to Hydro One in the East -why does this not constitute delivery points? Please discuss in context of the Transmission System Code.
- b) Why has UCT/NextBridge only adopted Average System Availability and not other Transmission Reliability Indicators such as SAIDI(T) and SAIFI(T).
- c) Please confirm that these other indicators will be monitored and reported.

## EP-25

**Reference:** Exhibit F, Tab 4, Schedule 2, Attachment 1, Page 35, TVMP

**Preamble:** “The Leader Vegetation Management - T/S will maintain the processes, standards and documentation to ensure that the vegetation in the transmission system is properly maintained. This TVMP shall be reviewed and updated as necessary based on adopted revisions to FAC-003-1 requirements or as changing field conditions and circumstances warrant.”

- a) Why is the NextEra Energy TVM Agreement filed? Please confirm that UCT/NextBridge will contract with Hydro One for vegetation management.
- b) Please *either* confirm Hydro One will perform vegetation management under the same terms/conditions specified in the NextEra Energy Document, *or* file the appropriate Hydro One TVMP document(s).
- c) Please summarize the Annual Targets for TVM (km line)
- d) What is the forecast Hydro One annual TVM cost? Will this include escalation provisions?

## EP-26

**Reference:** Exhibit F, Tab 6, Schedule 1, Page 1

**Preamble:** “NextBridge will not be charged a flat or already determined corporate cost allocation from any parent or partner entities. Charges where appropriate, will come from personnel directly supporting NextBridge. Personnel account for the amount of time spent on NextBridge work in a time recording system. The resulting cost NextBridge will receive is that amount of time, worked on NextBridge, multiplied by the earnings paid to that employee. The earnings include the hourly amount of salary plus an adder representative of the benefits paid to that employee.”

- a) Please File the Service Level Agreement(s) as per the OEB Affiliate Relations Code for Electricity Distributors and Transmitters.
- b) Are the costs of Directors and Board Meetings a cost charged to UCT/Nextbridge? Please provide an estimate for 2021/22.
- c) Please provide a list/estimate of inter corporate affiliate charges for 2021/22.

## EP-27

**Reference:** Exhibit F, Tab 11, Schedule 1

- a) Please file the Depreciation Study that underlies the annual \$9.26 million Depreciation Amount and Depreciation Rates shown.
- b) Please provide a comparison to Hydro One Transmission depreciation rates

## EP-28

**Reference:** Exhibit F, Tab 16, Schedule 1

**Preamble:** “NextBridge will apply for a Z-factor account (see Exhibit H) if material costs are incurred for unforeseen events for reasons beyond the company's control that occur during the IR Term. NextBridge will not include the planned capital expenditures outlined in Exhibit B as part of any Z-factor account.”

Please Provide the Threshold Calculation for a Z-factor claim.

## EP-29

**Reference:** Exhibit G, Tab 1, Schedule 1

**Preamble:** “Consistent with the OEB’s Cost of Capital report, the deemed long-term debt rate should be used where a rate-regulated electricity utility does not have third party debt. Currently, NextBridge does not have existing debt at third-party market rates. NextBridge will issue third-party debt to finance the East-West Tie line’s long-term debt component of 56%. This financing transaction is estimated to occur in late 2021 or early 2022.”

- a) What options will UCT/NextBridge consider to raise the 56% LT Debt amount? Discuss options such as Shareholder Loans, Market Issuance, Private capital etc.
- b) Has UCT NextBridge sought opinions from the Rating Agencies? If so summarize these.
- c) For the Recent Financings (2018-2020) in Table 1 please indicate the Amounts, Term and effective rates and how this informs the appropriate LT debt Rate for UCT/Nextbridge.
- d) Please compare the assumed LT debt rate of 3.21% to that of Hydro One (average and recent issues)
- e) If the cost of Capital exceeds the current estimates, will UCT/NextBridge file an update or rely on the Cost of Capital variance account? Please discuss with reference to materiality of potential changes.

**EP-30**

**Reference:** Exhibit H, Tab 1, Schedule 1, Page 1

**Preamble:** “NextBridge seeks Board approval to establish five new deferral/variance accounts. NextBridge does not have any existing deferral and variance accounts for which it is seeking continuation or disposition of in this Application. All requested accounts are symmetrical and could reflect in positive or negative adjustments to the requested revenue requirement:

- Taxes or Payments in Lieu of Taxes Variance Account,( account 1592)
- Revenue Differential Variance Account (RDVA)
- Construction Cost Variance Account (CCVA)
- Debt Rate Variance Account (DRVA)
- Z-Factor Treatment (Account 1572 – Extraordinary Event Costs)”

- a) Please confirm that the RDVA only applies to the impact of delays in the ISD.
- b) How/when will the balance of the CCVA be reviewed and disposed of?
- c) When will the Cost of Capital be determined and will this and the DRVA be subject of Board Review?
- d) Please confirm that the Board does not approve Z factor accounts in advance but requires the utility to apply reflecting the circumstances related to the request.

Submitted on behalf of Energy Probe by its consultants,

Roger Higgin  
SPA Inc.

Tom Ladanyi  
TL Energy Regulatory Consultants Inc.