EB-2020-0150

Upper Canada Transmission, Inc. (operating as) NextBridge Infrastructure LP)

VECC

COMPENDIUM

March 29, 2021

Mark C Garner Digitally signed by Mark C Garner
Date: 2021.03.28 21:07:07 -04'00'

TAB 1

Ontario

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0182

UPPER CANADA TRANSMISSION INC.
(ON BEHALF OF NEXTBRIDGE INFRASTRUCTURE)

Application for leave to construct an electricity transmission line between Thunder Bay and Wawa, Ontario

EB-2017-0194

HYDRO ONE NETWORKS INC.

Application to upgrade existing transmission station facilities in the Districts of Thunder Bay and Algoma, Ontario

EB-2017-0364

HYDRO ONE NETWORKS INC.

Application for leave to construct an electricity transmission line between Thunder Bay and Wawa, Ontario

BEFORE: Christine Long
Presiding Member

Allison Duff
Member

Michael Janigan
Member

December 20, 2018

designated transmitter and should have been funded through a contingency included in the budget submitted and approved. In addition, the OEB finds the $0.230 M excessive for an appeal that did not proceed to hearing.

The OEB finds it appropriate to allow for the carrying costs, which are usually allowed to be recovered by the OEB and included when deferral accounts are established. The OEB finds the proposed carrying costs unbudgeted at designation of $0.733 M to be reasonable. The OEB will allow the $0.733 M to be updated to include carrying costs from July 2017 until recovery is complete based on the $31.241 M approved amount.

In summary, the OEB finds that NextBridge is eligible to recover $31.241 M in development costs plus any additional carrying costs until recovery as it finds these costs to be reasonable given the context of the Designation Process, the expectation of economic efficiency, and the events that occurred after the Designation Decision. Any costs in excess of $31.241 M that NextBridge seeks to recover should be included in its NTE price. Table 3 provides the costs eligible for consideration as construction costs.

Table 3 – Costs Eligible for Consideration as Construction Costs

Cost Category	Proposed $ million
Extended In-Service Date	
• EA Review Participation	$0.460
• Land Optioning Negotiations	$1.439
Unbudgeted at Designation	
• Land Acquisition Negotiations	$0.017
• Economic Participation	$3.415
Total	**$5.331**

2.4 Implications for Leave to Construct Applications

The OEB's Transmission Policy Framework provided the policy basis for the process that determined that NextBridge would be the designated transmitter for the development of the new transmission line between Wawa and Thunder Bay. In the Designation Decision, the OEB found NextBridge eligible to recover its approved development budget of $22.4 M. However, in a subsequent decision, the OEB found competition. In the context of the new transmission line between Wawa and Thunder Bay, the OEB implemented this policy through establishing a Designation Process to determine the most qualified and cost-effective transmission company to complete development work.

In accordance with the Transmission Policy Framework, the Designation Decision clarified that designation did not carry with it the exclusive right to build the new line between Wawa and Thunder Bay or the exclusive right to apply for leave to construct. The designated transmitter was only assured of recovery of the budgeted amount for project development. As a result, a non-designated transmitter would be able to apply for leave to construct the line between Wawa and Thunder Bay as there were no specific criteria set out in the Transmission Policy Framework to prevent this situation. This would enable an application by a non-designated transmitter that would require, presumably, a comparison of the leave to construct applications using the considerations set out in the Act.

In this proceeding, the OEB has been presented with applications from two applicants that differ in maturity of plan development, First Nations and Métis community support, routing choice, construction methods, contractor arrangements, stage of environmental approvals, operating protocol and expense, risk of overruns, in-service date, and overall estimate of costs. The new transmission line between Wawa and Thunder Bay is, first and foremost, responsive to the transmission needs as defined by the IESO. The IESO has informed the OEB that both the NextBridge-EWT Application and Hydro One-LSL Application would meet those needs. The OEB therefore believes that there is a need for a more focused method of cost comparison in order to approve a leave to construct application that minimizes ratepayer risk while meeting the identified need.

The OEB’s proceeding has involved a comparative analysis between two applications to construct the new transmission line between Wawa and Thunder Bay. However, this process has not provided the OEB with sufficient evidence to complete that comparative analysis. For example:

- Cost information was not provided on the same day, on the same basis.
- There were significant differences in the two filed applications, as noted above, making comparisons difficult.
- Some of the conditions proposed by the applicants were not acceptable to the OEB including the financial implications related to the in-service date.

- Hydro One knew NextBridge's proposed costs in developing their application.
- Hydro One provided a final, Board of Directors-approved, NTE price only as part of its reply submission (i.e., in the final stages of the proceeding). NextBridge, therefore, did not have a chance to respond.
- The in-service date for the Stations Upgrade Project changed to October 2021 during the proceeding based on new information from the MECP and NextBridge did not provide a satisfactory cost estimate for a 2021 in-service date during the hearing. There was no witness from Valard to speak to the pricing for a 2021 in-service date as a result of changes to the station upgrades schedule. Further, no witness on the stand had actually spoken to Valard regarding this issue.

The OEB finds that the applicants are in the best position to assess risks, cost those risks and factor them into a NTE price. These include risks involving negotiations for land, environmental approvals and permitting and economic participation/equity ownership for First Nations and Métis communities.

The OEB has decided to provide NextBridge and Hydro One with an opportunity to submit a NTE price based on the conditions stipulated by the OEB in this Decision and Order. Among other things, the successful applicant will agree not to seek recovery in rates for amounts beyond the NTE price specified, except for OM&A costs of the transmission line. In the event that the actual costs to construct the line come in below the successful applicant's submitted NTE price, the applicant may apply in its rates case to recover the difference. A future rates panel will make that determination.

In its submissions, CCC took the view that the OEB does not have authority to compel NextBridge to accept a price cap. To be clear, neither NextBridge nor Hydro One is required to submit a NTE price. Neither party is required to build the transmission line. However, the OEB expects that applicants will not seek recovery in rates for any amount more than the amount they submit as their NTE – considering the conditions the OEB has imposed.

NextBridge and Hydro One if interested in submitting an NTE price, will be required to submit their respective NTE prices on January 31, 2019, in accordance with the following conditions.

ENERGY PROBE INTERROGATORY #2

INTERROGATORY

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.

RESPONSE

a) Confirmed. There are no caveats.

b) Confirmed.

c) The breakdown of the $3.41 million in Economic Participation costs is:
   - Payroll and employee expenses: $0.9MM
   - Consulting and Legal Support: $1.9MM
   - Indigenous Support for Negotiations: $0.6MM

d) In its Designation application[1], NextBridge conveyed that it was not in a position to estimate the costs associated with Indigenous economic participation until further engagement had been initiated with communities. Over the course of the project, NextBridge has worked with all communities identified by the Crown and gained a better understanding of the scope of potential economic participation in the East-

[1] Upper Canada Transmission, Inc. operating as NextBridge Infrastructure Application for Designation to Develop the East-West Tie Line dated January 4, 2013 (EB-2011-0140), at pages 46 and 116; Upper Canada Transmission, Inc. Response to Board Interrogatory 26 to all Applicants.

STAFF INTERROGATORY #56

INTERROGATORY

Reference: (1) Exhibit C / Tab 2 / Schedule 3 / Page 1

Preamble:
Reference 1 states:

> A total of $5.3 million in costs were deemed eligible for consideration as construction costs in the Decision and Order dated December 20, 2018 (EB-2017-0182). These costs were incurred during the development period and are needed to construct the East-West Tie line. They were spent during the development period because these activities take longer periods of time and by working on them as early as possible it mitigated risk to the project schedule. These costs are included in opening rate base balance.

Question(s):

a) Could you please provide rationale for approval of these costs?

RESPONSE

a) The OEB expressly concluded that the $5.3 million in phase-shift costs were eligible for consideration of recovery as construction costs. See EB-2017-0182 Decision and Order at page 27 (dated December 20, 2018). NextBridge's Application included a request to recovery its construction costs, which include the $5.3 million in phase-shift costs. The basis for prudency of incurring the phase-shift costs is detailed in the Application. See EB-2020-0150 Exhibit C Tab 2 Schedule 3 Pages 1 through 5. Therefore, NextBridge is requesting full recovery of the $5.3 million in phase-shift costs.

Ontario

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HYDRO ONE NETWORKS INC.

Application for leave to construct an electricity transmission line between Thunder Bay and Wawa, Ontario

BEFORE: **Christine Long**
Presiding Member

Allison Duff
Member

Michael Janigan
Member

February 11, 2019

1 INTRODUCTION AND SUMMARY

This Decision and Order is made further to two applications to the Ontario Energy Board (OEB) for leave to construct filed under section 92 of the *Ontario Energy Board Act, 1998* (Act). The two applications before the OEB propose different projects to meet the Ontario government identified need of maintaining long-term system reliability in Northwest Ontario. The applications that are the subject of this Decision and Order are as follows:

- An application filed by Upper Canada Transmission Inc., on behalf of NextBridge Infrastructure (NextBridge)[1] on July 31, 2017 for leave to construct a transmission line between Wawa and Thunder Bay, which it refers to as the East-West Tie Project[2] (NextBridge-EWT Project)

- An application filed by Hydro One Networks Inc. (Hydro One)[3] on February 15, 2018 for leave to construct a transmission line between the same two points as the NextBridge-EWT Project, which Hydro One refers to as the Lake Superior Link Project[4] (Hydro One-LSL Project)

This Decision and Order covers the following aspects of the applications:

- Granting leave to construct to NextBridge for the NextBridge-EWT Project, further to a directive to the OEB issued by the Minister of Energy, Northern Development and Mines and approved by Order in Council 52/2019 dated January 30, 2019

- Approving the form of land easement agreements that have been or will be offered by NextBridge to directly affected landowners for the purposes of section 97 of the Act

- Approving the transfer by NextBridge of $31.241 million in development costs (plus carrying costs from July 31, 2017) to a Construction Work-in-Progress (CWIP) Account 2055, which will be the opening account balance related to this project

- Denying leave to construct to Hydro One for the Hydro One-LSL Project

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[1] This application has been assigned OEB File No. EB-2017-0182.
[2] Referred to as NextBridge-EWT Application in the OEB's December 20, 2018 Decision and Order.
[3] This application has been assigned OEB File No. EB-2017-0364.
[4] Referred to as Hydro One-LSL Application in the OEB's December 20, 2018 Decision and Order.

3 DECISION ON THE TRANSMISSION LINE APPLICATIONS

Under section 96(1) of the Act, leave to construct is granted if the OEB is of the opinion that the project is in the public interest. In the circumstances of this case, pursuant to section 96(2) of the Act only the interests of consumers with respect to prices and the reliability and quality of electricity service shall be considered by the OEB in assessing whether a project is in the public interest.[13] As noted earlier, given the Priority Project OIC, the OEB must accept that the transmission line between Wawa and Thunder Bay is needed.

As noted above, in the December Decision, the OEB found that the NextBridge-EWT Project is acceptable from a reliability and quality of electricity service perspective. As a result, the outstanding issue is the interests of consumers with respect to prices. The OEB's concerns in this regard prompted it to allow for the submission of a NTE price by each of the proponents, in order to mitigate ratepayer risk.

Given the Directive, mitigation of ratepayer risk through a comparative analysis of two competing applications based on costs is no longer an option.

The OEB remains concerned with the construction costs put forward by NextBridge. At designation, NextBridge's cost estimate for the construction of the transmission line was $409 million. By the time it filed its leave to construct application, NextBridge's construction estimate had increased to $737 million. NextBridge did not provide an updated construction cost estimate since filing its application nor did NextBridge submit a construction cost estimate associated with a 2021 in-service date. During the oral hearing, NextBridge stated that if it did not have to accelerate to ensure a December 2020 in-service date, it could actually bring the construction costs in lower.[14] This Decision and Order should not be taken as accepting the level of costs of the NextBridge-EWT Project for the purposes of recovery from ratepayers. NextBridge will have to demonstrate the prudence of its costs when seeking to recover those costs in the future.

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[13] Section 96(2) of the Act also includes the promotion of the use of renewable energy sources as an issue to be considered, where applicable. As noted in the December Decision, the promotion of the use of renewable energy sources is not relevant in this case.
[14] EB-2017-0182/EB-2017-0194/EB-2017-0364 Oral Hearing Transcript, Volume 7, October 12, 2018, p. 50, lines 4-9.

STAFF INTERROGATORY #57

INTERROGATORY

Reference: (1) Exhibit C / Tab 2 / Schedule 4

Preamble:
Reference 1 states that “a total of $737.1 million in construction costs is forecasted to complete the East-West Tie line, of which 57% have already been incurred as of October 31, 2020.”

Question(s):

a) With 57% of construction costs incurred to date, please clarify if 57% of the construction is complete, and if not, explain why NextBridge currently estimates the project budget of $737.1 million will not be exceeded?

RESPONSE

a) As of October 31, 2020, the amount of construction completed is 40%. NextBridge currently estimates the project budget of $737.1 million will not be exceeded, because completion of 40% of the construction and spending 57% of overall costs has tracked and continues to track to an overall cost of $737.1, absent unforeseen events and unknown costs.

   For context, the percentage of construction costs spent does not necessarily align with the percentage of construction activity but does provide assurance that the East-West Tie line project is on budget. Examples of necessary costs spent:
   - Material costs have already been incurred to purchase the towers and wire and ship them to the construction site;
   - Land payments have already been made to landowners in order to secure access to the right of way to allow for construction;
   - NextBridge has spent costs to ensure that Indigenous communities have properly been consulted prior to construction to meet Duty to Consult obligations with the Crown; and
   - The work to obtain environmental permits (such as field studies) needed to be completed prior to construction activities beginning.

Additionally, construction has seasonal and environmental constraints, such as species at risk timing windows. When the 40% was calculated the winter construction season had not started and the ground was not completely frozen. Once the ground was frozen, clearing activities and foundation installations started taking place.

STAFF INTERROGATORY #58

INTERROGATORY

Reference: (1) Exhibit C / Tab 6 / Schedule 1 / p. 1

Preamble:
Reference 1 states:

> NextBridge is in the process of entering into a Customer Connection and Cost Recovery Agreement ("CCRA") with HONI.... The engineering and construction cost of the Hydro One work will be included in Hydro One's rate base in accordance with the decision(s) of the Ontario Energy Board in EB-2017-0194. At this time the CCRA and associated terms and conditions are undergoing review between both parties with the intention of reaching a mutually acceptable agreement by the end of Q1 2021. When the agreement is finalized NextBridge and HONI will provide an update to the OEB that includes cost and accounting treatment for the agreement.

Question(s):

a) Please file the Customer Connection and Cost Recovery Agreement when it is finalized and provide information on the cost and accounting treatment.

RESPONSE

a) The Customer Connection and Cost Recovery Agreement (CCRA) is expected to be finalized by September 2021 and will be filed with information on the cost and accounting treatment at that time. For clarity, NextBridge is not seeking the recovery of costs under the CCRA.

TAB 2

STAFF INTERROGATORY #5

INTERROGATORY

Reference: (1) Exhibit A / Tab 3 / Schedule 1 / p. 2
(2) Exhibit A / Tab 3 / Schedule 1 / p. 18

Preamble:
Reference 1 states that "the implementation of a new transmission project that was not previously included in transmission rates results in an increase to the average transmission rates in Ontario" and Reference 2 states that "the addition of the East-West Tie line in transmission rates results in an increase of 3.31% in transmission costs since it is a new project that was not previously included in the UTR."

Question(s):
a) Please explain the impact of the project on 2022 and 2023 UTRs.
b) Please explain the impact of the project on ratepayers in 2022 and 2023.
c) UTRs are not normally adjusted during the year as capital projects go into-service. Please explain the impact to NextBridge of not implementing the rates revenue requirement until the year after the East-West Tie is in service?

RESPONSE

a) NextBridge expects to enter the UTR in 2022, as that is the year the East-West Tie line goes in-service. Since the East-West Tie line is expected to be in-service for nine of twelve months in 2022, NextBridge has prorated its 2022 revenue requirement accordingly. NextBridge would collect a full year's revenue requirement in 2023.

   Impacts of the inclusion of the East-West Tie line in UTR for 2022 and 2023 are set forth in Exhibit J, Tab 1, Schedule 1, Page 2, table 3 of the Application. Because the East-West Tie line is new in 2022, the increase in UTR is 3.31%. The increase from 2022 to 2023 is 0.07% because the East-West Tie line was included in the 2022 UTR.

b) Please see Exhibit A, Tab 3, Schedule 1, Page 20, table 9 of the Application for the customer bill impact over the IR term. The impact of on a distribution connected customer is 0.21% in 2022. The increase in bills from 2022 to 2023 due to the East-West Tie line is 0% as the East-West Tie line was included in 2022.

c) NextBridge has proposed a forecasted revenue requirement to be part of the 2022 UTR when it is normally set in Q4 of 2021 to avoid updating the UTR during the year in 2022. Then the forecasted revenue would be trued-up using the RDVA (revenue deferral variance account).

If the question is proposing that NextBridge not collect revenue in 2022 but enter the UTR in 2023 and have a true-up for 2022 revenues, this will create a revenue shortage for the East-West Tie line which would significantly impact the Indigenous partner, Bamkushwada, LP (BLP). BLP will buy into 20% of the East-West Tie line, which is expected to occur near in-service. BLP needs project revenues timed with the East-West Tie line in-service date in order to 1) secure funding for their portion of the East-West Tie line, or 2) make payments under the financing they secure. If BLP is not able to buy into the East-West Tie line, customers will be negatively affected by an increased revenue requirement. The Application, as submitted, included a reduced revenue requirement for BLP's non-taxable portion of the East-West Tie line to reflect BLP's buy-in.

STAFF INTERROGATORY #10

INTERROGATORY

Reference: (1) Exhibit A / Tab 8 / Schedule 2 / p. 1

Preamble:
NextBridge requests that the OEB's final rate order be made effective April 1, 2022, the day after the anticipated March 31, 2022 in-service date of the East-West Tie line. To address the possibility that the requested rate order cannot be made effective by that time, NextBridge requests an interim order making its proposed transmission revenue requirement effective on an interim basis as of April 1, 2022, and also allowing NextBridge to use the Revenue Differential Variance Account to record any differences in the revenue requirement between an interim order and the final approved decision and order and/or an interim order and the final approved decision and order and the in-service date. Any differences will be tracked and submitted for review and disposition at a future proceeding.

Question(s):

a) Is NextBridge proposing that if the East-West Tie-Line is in service prior to March 31, 2022 that it would receive transmission revenue starting from the earlier date? If yes, is NextBridge requesting use of the RDVA prior to April 1, 2022?
b) Why is NextBridge proposing receiving transmission revenue and recording it to a variance account if it does not meet the March 31, 2022 in-service date?
c) What does NextBridge consider appropriate if the line is not in service by March 31, 2022? Does NextBridge believe that it should start receiving transmission revenue if the line is not in service?

RESPONSE

a) Yes, if the in-service date is earlier than March 31, 2022, NextBridge proposes to receive revenue as of that date using the RDVA. The revenue included in the UTR for 2022 would have NextBridge receiving revenue as of April 1, 2022. The RDVA would be used to track the difference between the revenue NextBridge should have received (as of a pre-March 31, 2022 in-service date) and the revenue that was included in the UTR (based on April 1, 2022 in- service date).

b) NextBridge is not proposing to receive revenues for the time period when the East-West Tie line is not in-service. In the case where the East-West Tie line does not meet the March 31, 2022 in-service date, NextBridge is proposing utilizing the RDVA to record the difference in revenue NextBridge received through the 2022 UTR and what should have been received, reflecting the March 31, 2022 in-service date.

Where the East-West Tie line is in-service later than April 1, 2022, the RDVA would contain a refund due to customers. NextBridge proposes this structure to allow the OEB to set the 2022 UTR as part of the normal timeframe and avoid updating the UTR partially through 2022.

The account would accrue carrying charges using the prescribed interest rates established by the OEB for regulatory deferral and variance accounts until disposition.

c) See response to part b.

TAB 3

APPENDIX E – PROJECT NEWSLETTER

Season's Greetings from the NextBridge Infrastructure Team!

Wishing you a safe and happy holiday season.

Project Summary

The East-West Tie is an approximately 450kilometre, double-circuit, 230 kilovolt (kV) transmission line connecting the Wawa Transformer Station to the Lakehead Transformer Station in the Municipality of Shuniah near Thunder Bay, with a connection at the Marathon Transformer Station. This infrastructure project will ensure the long-term reliability of the electricity supply in northwestern Ontario and support growth in the region for generations to come.

Construction Progress

**Information shown on map is approximate at the time of publication.*

4.0 Comparing Costs

OEB Staff Summary of the Evidence on Costs

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

	NextBridge	Hydro One
Development Costs	**$40,127,000**[1]	**$16,972,000**[2]

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**	

Source Exhibit K.4

FORECAST CONSTRUCTION COSTS

1. A total of $737.1 million in construction costs is forecasted to complete the East-West Tie line, of which 57% have already been incurred as of October 31, 2020. The cost categories in table below follow the format and order used in NextBridge's quarterly reports to the OEB. As evidenced in Exhibit B and in the CRA report attached at Exhibit B, Tab 1, Schedule 7, Attachment 1, NextBridge's construction costs are in line when benchmarked with other constructed transmission lines. The table below shows the total construction costs per category, for the estimated completion of the line assuming an in-service date of March 31, 2022.

	Engineering & Construction	**614.3**
1	Engineering, Design and Procurement	8.5
2	Materials and Equipment	66.9
8	Site Clearing, Access	140.6
9	Construction	398.2
	Environmental & Remediation Activities	**31.6**
3	Environmental and Regulatory Approvals	19.1
10	Site Remediation	12.5
	Indigenous Activities	**23.7**
5	Indigenous Economic Participation	9.7
6	Indigenous Consultation	13.9
4	**Land Rights (excludes Aboriginal)**	**23.8**
7	**Other Consultation**	**2.5**
11	**Contingency**	n/a
12	**Regulatory**	**5.4**
13	**East-West Tie Project Management**	**4.9**
	Total Project Spend	**706.1**
14	**Interest During Construction (IDC)**	**31.0**
	Total Construction Cost	**737.1**

Table 1. Summary of Spare Equipment

Spare Equipment	Estimated Quantity	Unit	($ Thousands)
Towers	17	Each	$ 930
Conductor	17k	Meters	147
OHGW	3k	Meters	11
OPGW	3k	Meters	13
Insulators	100	Each	74
Arresters	25	Each	56
			$ 1,231

Cost category	$ Millions
Extended in-service date	
Environmental assessment review participation	$0.46
Land optioning negotiations	$1.44
Unbudgeted at designation	
Land acquisition negotiations	$0.02
Economic participation	$3.41
Total	**$5.33**

- recovery of $737 million of construction costs also tracked in the CWIP Account 2055 ("**CWIP Account**") established pursuant to Decision and Order dated February 11, 2019 (EB-2017-0182);
- recovery of $1.2 million in spares;
- inclusion in the UTR for the Network pool to allow for the recovery of NextBridge's proposed rates revenue requirement for 2022, for nine months of service beginning on April 1, 2022, as described in Exhibit A, Tab 3, Schedule 1;
- use of a Custom Incentive Regulation Model as a framework to annually adjust transmission rates for the period effective January 1, 2023 to December 31, 2031 as described in Exhibit A, Tab 3, Schedule 1, and the related rates, charges, and conditions of services;
- establishment of the accounting orders for a construction cost variance account ("**CCVA**") to be made effective the date of the filing of this Application, as described in Exhibit H, Tab 1, Schedule 1;
- establishment of the accounting orders for a debt rate variance account ("**DRVA**") to track and effectuate the one-time update to the cost of long-term debt in 2023

Table 4. Transmission Rate Base ($ Millions)

Transmission Rate Base ($ Millions)	Test Year[1]
Average Gross Plant	775.1
Average Accumulated Depreciation	4.6
Average Net Plant	**770.4**
Cash Working Capital	N/A
Materials and Supply Inventory	N/A
Transmission Rate Base	**770.4**

30. As a new entrant, NextBridge has no prior rate base, and, therefore, no change in rate base is included from any prior OEB approval.

F. Performance and Reporting

31. NextBridge is proposing to utilize a set of measures that best demonstrate its performance and address the performance standards for transmitters as set out in Chapter 4 of the *Transmission System Code*. The proposed performance measures and their associated RRFE performance outcomes are shown in Table 5 below.

Table 5. Performance Measures

RRFE Outcomes	Performance Measure
Safety	0.00 OHSA[2] Recordable Injuries Per Year
Financial Performance	Return on Equity
Public Policy Responsiveness	Applicable NERC Reliability Standards, such as FAC-003-4, Vegetation Compliance for NextBridge owned assets

[1] Totals may not foot due to rounding
[2] Occupational Health and Safety Act, R.S.O. 1990, c.1 (“OHSA”).

Appendix 2-BA
Fixed Asset Continuity Schedule [1]

Accounting Standard: USGAAP
Year: 4/1/22 - 3/31/23

CCA Class [2]	OEB Account [3]	Description [3]	Cost: Opening Balance	Cost: Additions [4]	Cost: Disposals [6]	Cost: Closing Balance	Accumulated Depreciation: Opening Balance	Accumulated Depreciation: Additions	Accumulated Depreciation: Disposals [6]	Accumulated Depreciation: Closing Balance	Net Book Value
N/A	1705	Land									
14.1	1706	Land rights	$ 35,093,798			$ 35,093,798	$ -	$ 350,938		$ 350,938	$ 34,742,860
1	1708	Buildings and fixtures									
47	1715	Station equipment									
47	1720	Towers and fixtures	$ 578,241,343			$ 578,241,343	$ -	$ 6,424,904		$ 6,424,904	$ 571,816,439
47	1730	Overhead conductors and devices	$ 161,608,342	$ 230,000		$ 161,838,342	$ -	$ 2,485,075		$ 2,485,075	$ 159,353,267
47	1735	Underground conduit									
47	1740	Underground conductors and devices									
17	1745	Roads and trails									
								$ -			
		Sub-Total	**$ 774,943,482**	**$ 230,000**	**$ -**	**$ 775,173,482**	**$ -**	**$ 9,260,916**	**$ -**	**$ 9,260,916**	$ 765,912,566
		Less Socialized Renewable Energy Generation Investments (input as negative)								$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)								$ -	$ -
		Total PP&E	**$ 774,943,482**	**$ 230,000**	**$ -**	**$ 775,173,482**	**$ -**	**$ 9,260,916**	**$ -**	**$ 9,260,916**	$ 765,912,566
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable6									
		Total						**$ 9,260,916**			

10		Transportation
8		Stores Equipment

Less: *Fully Allocated Depreciation*	
Transportation	
Stores Equipment	
Net Depreciation	$ 9,260,916

Notes:

1. Tables in the format outlined above covering all fixed asset accounts should be submitted for the Test Year, Bridge Year and all relevant historical years. At a minimum , the applicant must provide data for the earlier of: 1) all historical years back to its last rebasing; or 2) at least three years of historical actuals, in addition to Bridge Year and Test Year forecasts.
2. The "CCA Class" for fixed assets should agree with the CCA Class used for tax purposes in Tax Returns. Fixed Assets sub-components may be used where the underlying asset components are classified under multiple CCA Classes for tax purposes. If an applicant uses any different classes from those shown in the table, an explanation should be provided. (also see note 3).
3. The table may need to be customized for a utility's asset categories or for any new asset accounts announced or authorized by the Board.
4. The additions in column (E) must not include construction work in progress (CWIP).
5. Effective on the date of IFRS adoption, customer contributions will no longer be recorded in Account 1995 Contributions & Grants, but will be recorded in Account 2440, Deferred Revenues.
6. The applicant must ensure that all asset disposals have been clearly identified in the Chapter 2 Appendices for all historic, bridge and test years. Where a distributor for general financial reporting purposes under IFRS has accounted for the amount of gain or loss on the retirement of assets in a pool of like assets as a charge or credit to income, for reporting and rate application filings, the distributor shall reclassify such gains and losses as depreciation expense, and disclose the amount separately.

3. Construction Cost Update

A. Project Cost Update Summary

Construction costs for the EWT Project are forecasted to be on budget when compared to the LTC application budget. While increases have been identified in certain budget areas, the use of the previously-budgeted value for contingency allows for sufficient allocation of funds to address areas where budget increases were identified. However, at this point in time the total costs related to the COVID-19 Global Pandemic are unknown.

B. Project Cost Update Table

Cost Categories for NextBridge's Construction Costs Reporting		Actuals Spent: A Spent This Reporting Period $	Actuals Spent: B Total Spent To Date $	Budget: C Budget Per LTC Application $	Budget: D=C-B Budget Remaining	Budget: E=D/C*100 Budget Remaining %	Forecast Budget Variance: F Forecast Budget Change $	Forecast Budget Variance: G Forecast Budget Change %	Forecast Budget Variance: H Revised Total Budget	Reasons For Change
Engineering & Construction		**89,396,704**	**395,393,413**	**572,761,388**	**177,367,975**	**31%**	**41,505,901**	**7%**	**614,267,289**	**Revised based on in-service date**
1	Engineering, Design and Procurement	566,597	7,284,755	19,342,245	12,057,490	62%	(10,808,892)	-56%	8,533,353	
2	Materials and Equipment	15,610,865	57,972,799	89,408,231	31,435,432	35%	(22,538,717)	-25%	66,869,514	
8	Site Clearing, Access	32,542,786	116,207,404	107,463,339	(8,744,065)	-8%	33,169,524	31%	140,632,863	
9	Construction	40,676,455	213,928,455	356,547,573	142,619,118	40%	41,683,986	12%	398,231,559	
Environmental & Remediation Activities		**887,757**	**17,206,744**	**26,929,260**	**9,722,516**	**36%**	**4,620,902**	**17%**	**31,550,162**	**Revised based on in-service date**
3	Environmental and Regulatory Approvals	849,566	16,552,092	13,030,561	(3,521,531)	-27%	6,066,463	47%	19,097,024	
10	Site Remediation	38,191	654,652	13,898,699	13,244,047	95%	(1,445,561)	-10%	12,453,138	
Indigenous Activities		**1,942,368**	**17,549,321**	**20,211,000**	**2,661,679**	**13%**	**3,442,555**	**17%**	**23,653,555**	**Revised based on in-service date**
5	Indigenous Economic Participation	961,902	7,629,102	7,000,000	(629,102)	-9%	2,730,452	39%	9,730,452	
6	Indigenous Consultation	980,466	9,920,218	13,211,000	3,290,782	25%	712,103	5%	13,923,103	
4	**Land Rights (excludes Aboriginal)**	**1,153,176**	**17,931,382**	**23,830,512**	**5,899,130**	**25%**	**0**	**0%**	**23,830,512**	
7	**Other Consultation**	**75,403**	**1,212,080**	**2,530,194**	**1,318,114**	**52%**	**0**	**0%**	**2,530,194**	
11	**Contingency**	**-**	**-**	**49,399,445**	**49,399,445**	**100%**	**(49,399,445)**	**-100%**	**-**	**Allocation of Contingency**
12	**Regulatory**	**229,820**	**4,105,487**	**5,405,078**	**1,299,591**	**24%**	**(0)**	**0%**	**5,405,078**	
13	**EWT Management**	**156,602**	**4,238,388**	**4,900,644**	**662,256**	**14%**	**(0)**	**0%**	**4,900,644**	
Total Project Spend		**93,841,829**	**457,636,814**	**705,967,521**	**248,330,707**	**35%**	**169,913**	**0%**	**706,137,434**	
14	**Interest During Construction (IDC)[1]**	**2,218,412**	**13,050,442**	**31,003,000**	**17,952,558**	**58%**	**-**	**0%**	**31,003,000**	
Total Construction Costs [2 3 4]		**96,060,241**	**470,687,256**	**736,970,521**	**266,283,265**	**36%**	**169,913**	**0%**	**737,140,434**	

1 IDC has not been reforecasted as interest rates will vary based on the OEB prescribed rates
2 On the record (EB-2017-0182)
3 Development Costs eligible for consideration as construction costs of $5.3 MM not reflected in column B. (OEB Decision, December 20, 2018)
4 Construction related costs due to COVID-19 are not included in the table above; as of Q4 2020, $0.4M has been incurred

TAB 4

STAFF INTERROGATORY #43

INTERROGATORY

Reference: (1) Exhibit C / Tab 1 / Schedule 1 / Attachment 4 / p.10

Preamble:
Reference 1 states:

> Once the spring thaw period is confirmed for the 2019/2020 winter construction period, the schedule will be re-evaluated to determine the amount of work completed this winter season and establish plans for clearing activities to resume after September 1, 2020. At that time, it will also be possible to analyze the potential impacts to the East-West Tie's cost and schedule resulting from the delay of permit approvals.

Question(s):

a) Could you please advise if there were ever any delays associated with permit approvals?
b) Could you please provide the impact of any permit delays to the project cost and schedule?
c) What actions is, or did, NextBridge undertaking to mitigate the delays and costs?

RESPONSE

a) See response to Staff #42.

b) See response to Staff #42a, for a discussion on East-West Tie line schedule and permitting.

   The delay in receiving permits will not have an impact on the current East-West Tie line schedule of achieving the March 31, 2022 in-service date.

   At this time, NextBridge has not analyzed the impact to East-West Tie line costs from these permitting delays. NextBridge will not be able to determine if these costs materialize or their quantum until the East-West Tie line has been placed into service. Once the East-West Tie line is in-service, actual costs associated with permitting delays will be determined and tracked in the construction costs variance account.

c) NextBridge’s proactive work with the IESO to move the in-service date to March 31, 2022 has saved between $15-$20 million, which were costs that NextBridge would have to spend in order to accelerate the East-West Tie line to meet the original October 28, 2021 in service date. Due to the winter road restriction in the Overall Benefits Permit, only one winter construction season remains to complete construction on the approximately 80 kilometer transmission line segment in the Lake Superior caribou habitat. The original mitigation strategy was to add additional construction crews and build all-season roads in caribou nursery habitat which would have allowed for construction work to commence in this area in the winter of 2020/2021. However, the building of these roads could result in an increased cost to the East-West Tie line of between $15-$20 million. NextBridge's preference was to avoid these additional costs to customers, and, at the same time, comply with the current condition. It approached the IESO to ask for an additional winter construction season (i.e., the extension of the in-service date to March 31, 2022) in order to avoid building these roads and incurring these costs.

STAFF INTERROGATORY #44

INTERROGATORY

Reference: (1) EB-2017-0182 / Decision and Order / February 11, 2019 / p.7

Preamble:
During the oral hearing of the LTC application, NextBridge stated that if it did not have to accelerate to ensure a December 2020 in-service date, it could bring the construction costs in lower[5].

Reference 1 states that it "should not be taken as accepting the level of costs of the NextBridge-EWT Project for the purposes of recovery from ratepayers. NextBridge will have to demonstrate the prudence of its costs when seeking to recover those costs in the future."

Question(s):

a) The planned in-service date is now March 2022. Despite the change to in-service date, NextBridge has continued to work toward a total cost of $737 million through all its quarterly reports – even prior to the COVID-19 pandemic. Given the planned in-service date was delayed beyond December 2020, does NextBridge currently estimate construction costs lower than the $737 million included in the LTC application?
b) If yes, please provide the updated estimate. If no, please explain why the construction cost estimate is not lower given the later in-service date.

RESPONSE

a) NextBridge does not currently estimate construction costs to be lower than $737 million.

b) At the time of the statement in Reference 1, construction had not yet begun. Since the start of construction in 2019, NextBridge has encountered unexpected costs (including those that fall into the caveats set forth in response to Staff IR-49 in EB-2017-0182, also quoted below), that NextBridge addressed through the distribution of its contingency, as explained in its quarterly reports, including in the February 12, 2020 response to the OEB's request for additional information on contingency spending filed in the Application at Exhibit C, Tab 1, Schedule 1, Attachment 4, Pages 4 of 12. In addition, in the October 2020 quarterly report NextBridge indicated that

[5] 4 EB-2017-0182/EB-2017-0194/EB-2017-0364 Oral Hearing Transcript, Volume 7, October 12, 2018, p. 50, lines 4-9

the last of NextBridge’s contingency was distributed due to an incremental Stage 2 archaeology study at White Lake, required as a result of cultural values concerns by Pic Mobert First Nation that were not previously known.

Despite these unknown activities and unexpected costs, NextBridge has managed its contingency and budget in a manner that has maintained the overall costs of the project to $737 million.

References

Transcript cite:

> “MS. TIDMARSH: So if NextBridge did not have to accelerate to ensure that it was going to meet a December 2020 date, and a decision was made and communicated to NextBridge by the Board that the 2021 date was more appropriate, we believe that we could actually bring the costs in lower than what we have.”

For additional context, the answer continues below:

> “So we have some costs in there that are -- you can see in IR 49 there's four caveats about doubling up on management crews and that type of thing.
>
> So we think that we will still be within the plus or minus 10 percent band, but we could be tighter on that.”

In response to Staff IR49 from the Leave to Construct proceeding, NextBridge indicated that it could bring the costs within the minus 10% range, but cited four caveats that would increase the cost.

> “(1) additional environmental conditions that may need to be in place to start construction in the Spring of 2019 versus the Fall of 2018 as originally planned; (2) increasing equipment and crews and/or shifts to achieve a December 2020 in-service date or as close to 2020 as possible based on receiving a decision on its Leave to Construct; (3) adjustment to equipment, materials, and labor as may be impacted by the schedule consistent with Article IV of the EPC agreement; and (4) increased oversight of additional construction crew and/or shifts.”

ENERGY PROBE INTERROGATORY #1

INTERROGATORY

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.

RESPONSE

a) NextBridge updated the Project Cost Report Update Table in its January 22, 2021 quarterly report submitted in EB-2017-0182, which has been made part of the record in this case. See response to SEC #4. NextBridge currently has no In-Service Asset Amounts, since the East-West Tie line is a single asset and it is not yet in service, so there is no column to add. The Projected Total Final Budget forecast is already is included in the table.

b) If NextBridge incurs any costs above the $737.1 million, these costs will be filed in a Construction Cost Variance Account and disposition will be sought in the second annual update.

c) The updated risk management tables can be found in the January 22, 2021 quarterly report.

d) Yes, NextBridge is still projecting the in-service date of March 31, 2022.

e) An update on the Biinjitiwaabik Zaaging Anishinaabek (BZA) appeal can be found in the January 22, 2021 quarterly report.

Also, as explained in NextBridge's Q4 2019 quarterly report to the OEB submitted in EB-2017-0182, BZA requested that environmental permits be withheld due to their assertions that they were not adequately consulted on the East-West Tie line. Environmental permits were originally expected to be approved in September 2019, but the Ministry of Natural Resources and Forestry (MNRF) delayed the issuance of permits until March 2020. In the Q1 2020 quarterly report to the OEB submitted in EB-2017-0182, it was explained that MNRF deemed that NextBridge had addressed BZA's issues and were moving forward with supplying permits.

The appeal by BZA does not affect the participation opportunities provided to Indigenous communities on the East-West Tie line.

TAB 5

- NextBridge has proposed capital expenditures to improve the operation and maintenance of the line, but has not included the capital increases in rate base during the IR Term. The Inflation Factor will help offset the financial impact of these capital expenditures.
- NextBridge will have no employees, while maintaining access to highly qualified resources through the service agreements with NEET, and HONI and Supercom Industries Ltd. ("**Supercom**") that are available as needed, allowing NextBridge to remain cost efficient. Supercom is a partnership of the six BLP First Nations tasked with the goal of maximizing First Nations and Métis participation in the East-West Tie project.
- A service agreement on maintenance operations will be awarded to a partnership between HONI and Supercom ("**HONI SLA**") allowing efficiencies to these companies by allowing utilization of resources already available in the region. Given the proximity of the East-West Tie line to the Hydro One's existing East-West transmission and station assets, maintenance can be optimized when work can be performed in the same area of both lines simultaneously (*i.e.,* vegetation maintenance). The gained efficiencies are passed through to ratepayers as an avoided cost to NextBridge deploying separate crews in the same area.
- The NextBridge partnership has tax efficient partners and the savings of lower income tax costs have been incorporated in the revenue requirement.

B. Budgeting Assumptions

15. 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.

Table 3. Overall Capital Plan ($ Millions)

Capital Plan ($ Millions)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
General Plant - Office & Vehicles	-	0.16	0.11	0.01	0.15	-	-	0.20	-	-
Storage Yard	-	-	-	0.30	-	-	-	-	-	-
Reliability - Bird Deterrents, ROW Cameras	0.23	0.43	0.63	0.33	0.13	0.20	0.40	0.60	0.30	0.10
Total	**0.23**	**0.59**	**0.74**	**0.64**	**0.28**	**0.20**	**0.40**	**0.80**	**0.30**	**0.10**

28. This plan provides for increased reliability by taking advantage of new technology and equipment to reduce potential outages and gain additional situational awareness of real-time conditions at various critical crossings in the line. The capital expenditures for the project to be spent over the IR Term can be divided into three areas: general plant; storage yard; and reliability. This is further explained in Exhibit B.

E. Rate Base

29. The requested rate base for the Test Year (April 1, 2022 to March 31, 2023) is presented in Table 4 below, and further details on the rate base are presented in Exhibit C, Tab 1, Schedule 1.

ENERGY PROBE INTERROGATORY #3

INTERROGATORY

Reference: Exhibit A, Tab 3, Schedule 1, Pages 5-7, Table1 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.
e) Will this lead to large balances in the CCVA?

RESPONSE

a) Consistent with the policy determinations set out in the OEB Report on Rate Setting Parameters and Benchmarking under the RRFE (EB-2010-0379) issued November 21, 2013 and updated December 4, 2013, the OEB has calculated the value of the inflation factor for incentive rate setting under the Price Cap IR and Annual Index plans, for rate changes effective in 2020, to be 2.0%. NextBridge has utilized this 2% as the inflation factor in the proposed RCI, described in Exhibit E, Tab 1, Schedule 1, Page 3.

b) NextBridge is not requesting the incremental capital in Exhibit A, Tab 3, Schedule 1, Table 9 be added to rates over the IR term. Therefore, the RCI included in the Application is not impacted.

c) NextBridge's IR proposals do not include any concept that is related to capital "head room" available for each year of the term and the total capital for each year, therefore there is no calculation to be performed.

d) NextBridge disagrees with the premise of the question. NextBridge does not expect to have additions to gross plant in service, and therefore, rate base, annually over the IR term that have not been included in revenue requirements.

e) Please see Exhibit B, Tab 1, Schedule 6. Further, the capital projects implemented during the IR term will not be eligible for inclusion in the CCVA. Therefore, those capital projects cannot lead to large balances in the CCVA.

STAFF INTERROGATORY #34

INTERROGATORY

Reference: (1) Exhibit A / Tab 3 / Schedule 1 / p. 12 / Table 3
(2) Exhibit B / Tab 1 / Schedule 6 / pp. 1-2

Preamble:
NextBridge's proposed overall capital expenditure plan for 2022 to 2031 is $4.28 million as shown in Table 3. NextBridge states it will continue to complete an annual capital investment planning process to continually refine a plan that appropriately reflects operational needs, while minimizing rate impacts by not requesting these annual capital expenditures be added to rate base over the IR Term.

NextBridge's proposal to mitigate the potential for overearning is to not include in the revenue requirement during the currently requested IR Term and not record in a deferral account:

i. any additional OM&A costs above the rates set in this Application; nor
ii. any increased financing costs as a result of maturing and reissuing debt throughout the IR Term.

During the IR Term, the capital expenditures will be depreciated, and that depreciation expense is not being sought for recovery in the current application.

Next Bridge also states:

> This provides a benefit to ratepayers since the amount requested in the next rebasing will include a lower net plant balance for these capital expenditures due to depreciation, which will reduce the overall amount requested in the next rebasing after the IR Term expires.

Question(s):
a) Please explain how NextBridge determined what capital expenditures were necessary and satisfied itself that these costs were an appropriate level for a nine year and nine-month IRM term.
b) Please clarify if the Capital Expenditures of $4.28 million less depreciation during the IR term will be included for rebasing in 2032. If yes, please provided the net capital expenditure to be included in 2032.
c) Please detail anticipated OM&A costs above the rates set in the application.
d) Please detail OM&A efficiencies during the term of the application.

RESPONSE

a) NextBridge's capital expenditures planning process ultimately forms part of its overall asset management process, which is aimed at identifying and scoping the optimal timing of capital investments and asset maintenance throughout the life cycle of assets. NextBridge has used the extensive experience of affiliates of NEET to determine when it would be necessary and customary to incur a capital investment in the life cycle of the East-West Tie line.

b) Capital expenditures, net of accumulated depreciation, incurred over the IR term would be added to rate base at the expected rebasing in 2032. The expected gross book value from 2023 to 2031 is $4.05 million. $4.28 million in the applications capital expenditure table includes test year spend in 2022, which is included in the test year and part of the test year closing rate base.

The expected net book value in 2031 is shown below, based upon estimated depreciation expense. The capital expenditures that cost $4.05 million will be included in rate base at a discount of $0.28 million for a total of $3.77 million. (Note: totals may not foot due to rounding)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
Gross Book Value	0.59	1.33	1.97	2.25	2.45	2.85	3.65	3.95	4.05
Accumulated Depreciation	0.01	0.02	0.05	0.07	0.10	0.14	0.18	0.23	0.28
Net Book Value	0.58	1.30	1.92	2.17	2.34	2.71	3.47	3.72	3.77

c) There are no additional known OM&A costs above the test year OM&A used to set rates in the Application.

d) NextBridge expects that OM&A costs will increase over the IR term of 9 years and 9 months, and will work to control the increases without seeking recovery of the increased OM&A. For example, OM&A costs will likely increase due to the annual inflation mechanism included in the Federal Section 28.2 permits. Therefore, any OM&A efficiencies achieved during the IR term will not reduce OM&A costs below the test year OM&A costs.

AMPCO INTERROGATORY #4

INTERROGATORY

Reference: Ex A T3 S1 P3

The evidence indicates 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.

Please provide NextBridge's proposal regarding recovery of these costs beyond the requested IR Term.

RESPONSE

The depreciated book value of the capital expenditures would be added to rate base at NextBridge's next rebasing of revenue requirement, at the end of the IR term.

TAB 6

STAFF INTERROGATORY #40

INTERROGATORY

Reference: (1) Exhibit A / Tab 3 / Schedule 1 / p. 3

Preamble:
NextBridge states that the emergence of health threats associated with Novel Coronavirus 2019 ("COVID-19"), caused unforeseeable delays in current construction activities. As a result of these unavoidable delays, at NextBridge's request the IESO confirmed that there is no unacceptable risk to reliability created if the projected in-service date for the East-West Tie line was shifted to on or before March 31, 2022.

With respect to the COVID-19 pandemic:

Question(s):

a) Please provide a list of any impacts on the 2022 revenue requirement resulting from the COVID-19 pandemic.
b) Please provide details regarding the impact of the COVID-19 pandemic on NextBridge's 2022 cost forecasts and operation of the East-West Tie line.
c) Please explain how the impacts of the COVID-19 pandemic have or have not been included in its cost forecasts. If not, please provide the impacts.
d) Please describe the interplay between the cost forecasts made in the NextBridge's evidence and the impacts of COVID-19 that are dealt with by way of Account 1509.

RESPONSE

a) There will be no impact on the 2022 revenue requirement due to COVID-19 costs. The 2022 revenue requirement presented in the Application does not include the cost impact of the COVID-19 pandemic. Because the COVID-19 costs are unknown at this time, NextBridge has requested inclusion of COVID-19 pandemic costs in the construction cost variance account. The proposed disposition of the variance account will be after 2022, and, therefore, it will not impact the 2022 revenue requirement.

b) NextBridge's 2022 cost forecast does not include impacts from the COVID-19 pandemic, as these costs are not known yet. The line is expected to become operational on March 31, 2022.

c) See response to part a.

d) NextBridge has not included COVID-19 costs in any forecasts set forth in the Application, as these costs are unknown at this time. Also, NextBridge is not using Account 1509 as all costs incurred at this time are capital costs. Instead, NextBridge is using Account 2055 (CWIP) to track COVID-19 costs.

SEC INTERROGATORY #17

INTERROGATORY

Question:

[H-1-1, Attach 3] Please explain why the Applicant proposes to record COVID-19 related construction costs in the proposed Construction Cost Variance Account and not in the OEB's Account 1509, COVID-19 Emergency, Sub-account Other Costs.

RESPONSE

NextBridge will track and record COVID-19 costs through the in-service date in Account 2055 (CWIP) as these costs are part of construction of the line. Once in-service and the COVID-19 costs for the duration of construction are known, NextBridge will record the revenue requirement associated with these capital COVID-19 costs in the proposed Construction Cost Variance Account as these capital costs were not part of the revenue requirement proposed in this application. NextBridge is not using Account 1509 as all costs incurred at this time, through the in-service date, are capital construction costs; it is understood that the deferral Account 1509 is for differences in earnings for transmitters with rates in place.

AMPCO INTERROGATORY #3

INTERROGATORY

Reference: Ex A T3 S1 P3

The emergence of health threats associated with COVID-19 caused unforeseeable delays in current construction activities.

a) Please discuss and quantify the cost, schedule and scope impacts to date.
b) Going forward, please discuss and quantify the future potential impacts of COVID-19 on current construction cost, schedule and scope forecasts.

RESPONSE

a) With regard to cost, COVID-19 costs incurred by the end of December 2020 are $0.4 million as stated in NextBridge's Q4 2020 quarterly report, filed January 22, 2021 in EB-2017-0182. With regard to schedule and scope, as described in the letter from the IESO dated August 28, 2020 (found in the Application at Exhibit B, Tab 1, Schedule 1, Attachment 1, Page 2), the in-service date was revised to March 31, 2022 due to potential COVID-19 related impacts from steps taken to protect the health and safety of construction workers.

b) Costs associated with the COVID-19 global pandemic have not been estimated in their entirety and will not be known until after construction is completed and the COVID-19 global pandemic is resolved.

SEC INTERROGATORY #18

INTERROGATORY

Question:

[H-1-1, Attach 5] Has the Applicant recorded any amounts in the OEB COVID-19 Account 1509? If so, please provide a detailed breakdown.

RESPONSE

No. NextBridge has not recorded any amounts in OEB COVID-19 Account 1509. Please see response to SEC#17 for details on COVID-19 cost treatment.

AMPCO INTERROGATORY #3

INTERROGATORY

Reference: Ex A T3 S1 P3

The emergence of health threats associated with COVID-19 caused unforeseeable delays in current construction activities.

a) Please discuss and quantify the cost, schedule and scope impacts to date.
b) Going forward, please discuss and quantify the future potential impacts of COVID-19 on current construction cost, schedule and scope forecasts.

RESPONSE

a) With regard to cost, COVID-19 costs incurred by the end of December 2020 are $0.4 million as stated in NextBridge's Q4 2020 quarterly report, filed January 22, 2021 in EB-2017-0182. With regard to schedule and scope, as described in the letter from the IESO dated August 28, 2020 (found in the Application at Exhibit B, Tab 1, Schedule 1, Attachment 1, Page 2), the in-service date was revised to March 31, 2022 due to potential COVID-19 related impacts from steps taken to protect the health and safety of construction workers.

b) Costs associated with the COVID-19 global pandemic have not been estimated in their entirety and will not be known until after construction is completed and the COVID-19 global pandemic is resolved.

TAB 7

ENERGY PROBE INTERROGATORY #8

INTERROGATORY

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.

RESPONSE

a) NextBridge has not proposed a balance for the CCVA, but has requested the OEB to allow NextBridge to establish the accounts. NextBridge will follow the materiality thresholds defined by the OEB in the Chapter 2 Filing Requirements, dated February 11, 2016.

b) NextBridge's materiality threshold, as related to the Revenue Requirement and the OEB guidance, is $278,500 (i.e.,0.5% of Revenue Requirement, or $55,700,000 x 0.5% = $278,500).

HONI INTERROGATORY #2

INTERROGATORY

Issue List Item:
#7 – Deferral/Variance Accounts

Topic:
Construction Cost Variance Account

References:
Exhibit H, Tab 1, Schedule 1, Attachment 3

> *"This account will track any difference in revenue requirement and includes:*
> *• Differences between forecasted construction costs in this Application and the actual final project construction costs, including IDC;*
> *• COVID-19 related capital costs incurred during construction in excess of forecasted construction costs in this Application;*
> *• directly related costs associated with construction that extend past the in-service date such as environmental costs that are a result of commitments in the OBP and/or Amended EA for construction monitoring and mitigation programs that are not already accounted for in the construction costs (i.e., environmental mitigation costs of $1 million that were included but occur post in-service date because they were known and quantifiable amounts)."*

Exhibit B, Tab 1, Schedule 1, Attachment 1
Exhibit C, Tab 1, Schedule 1, Attachments – Quarterly Reports

Questions:

a) Please confirm that NextBridge is planning to track COVID-19 costs in the Construction Cost Variance Account (CCVA) and that the expectation is that these costs will eventually be included in CWIP or the capital cost of the asset? Please explain how NextBridge expects to differentiate between the two items it intends to track in this account. Specifically, how the difference between forecast construction costs and actual construction costs overruns will be calculated, and how COVID-19 related costs will be verified.

b) Please confirm that NextBridge informed the IESO that COVID-19 impacted operations from April 13 to May 19, 2020 (Exhibit B, Tab 1, Schedule 1, Attachment 1)?

c) Please confirm that in NextBridge's Quarter 3 Project reporting, submitted October 22, 2020, the reported costs related to COVID-19 were $100 CAD.

d) Since COVID-19 interrupted operations in April-May 2020, please explain why a new estimate of its cost impact cannot be provided at this time?

e) Please outline the rationale as to why the OEB should deviate from its policies and allow NextBridge to record those COVID-19-related items in the proposed non-generic DVA requested in this Application versus being dealt with as part of the ongoing COVID-19 deferral account consultation?

f) How does the December 16, 2020, release of the OEB Staff Proposal "Consultation on the Deferral Account–Impacts Arising from the COVID-19 Emergency" impact NextBridge's assessment and tracking of COVID-19-related capital costs?

g) Please confirm or correct Hydro One's understanding of Table 1 in Exhibit H, Tab 1, Schedule 1, page 4. Does the second line "Variance Account (as incurred)" show in years 2-5, actual OM&A numbers expected, or is it showing the return expected if costs have been capitalized? Is the intention that the deferral account will continue for the entire 10 years of the rebasing period?

h) Please provide the accounting entries that will apply to disposition of the CCVA.

<u>RESPONSE</u>

a) Please see response to SEC #17.

b) Yes, NextBridge informed the IESO that the COVID-19 pandemic had caused the temporary suspension of all construction activities as of April 3, 2020.

c) Yes, the NextBridge Q3 2020 quarterly report filed in EB-2017-0182 had footnote 4 which stated, "Construction related costs due to COVID-19 are not included in the table above; as of Q3 2020, less than $100 CAD have been incurred."

d) Please refer to Staff #40 b and c.

e) NextBridge disagrees with the premise of HONI's question. There is no OEB established ratemaking policy regarding how NextBridge, as a new transmitter constructing a sole asset, should record COVID-19 costs. The OEB's consultation process on this subject matter is on-going. Therefore, NextBridge is not asking for a deviation, as there is no set policy to deviate from.

SEC INTERROGATORY #16

INTERROGATORY

Question:

[H-1-1, Attach 3] SEC seeks to understand how the Applicant envisions the Construction Cost Variance Account to operate:

a. What exactly is the Applicant recording in the account? Is it the variance in construction costs, the revenue requirement impact of the variance in construction costs, the revenue that would be collected through the Revenue Cap Index if the final construction costs had been approved into rates, or some other amount?

   When the balance of the account is approved for disposition, please explain how the Applicant expects to recover the additional amounts. Does it expect the balance to be recovered by way of a rate rider, adjustment to the revenue requirement used for the purposes of the annual Revenue Cap Index, or some other method?

RESPONSE

a) The Construction Cost Variance Account (CCVA) will be for the difference in revenue requirement from forecasted construction costs and actual final construction costs. NextBridge expects to file for initial disposition in 2023, and the amount be included in 2024 UTR rates. The difference in recovery for rate years 2022 and 2023 will be recovered in a rate rider in 2024, as the years have already passed. The 2024 – 2031 revenue requirement would be adjusted to include the annual impact of the difference in revenue requirement from forecasted construction costs and actual final construction cost (original revenue requirement + incremental revenue requirement.) If the CCVA accumulates a balance after initial disposition, it will be disposed at the end of the IR term of nine years and nine months as a rate rider during rebasing.

NextBridge also provides an example in the table below to show the differences:

Table 1. Example of Cost Treatment Alternatives for Post Construction Environmental Costs

	Dollars					
	ISD[14] + 1 Year	ISD + 2 Years	ISD + 3 Years	ISD + 4 Years	ISD + 5 Years	Total
O&MA if in Revenue Requirement	Estimate included in construction costs	$972,000	$972,000	$972,000	$972,000	**$3,888,000**
Variance Account (as incurred)	Estimate included in construction costs	$972,000	$198,000	$106,000	$143,000	**$1,419,000**

- After five years post in-service date, the costs are expected to be less than $10,000 annually and are not included in this example, which is for illustrative purposes.

With respect to the disposition of the CCVA, NextBridge states that:

> NextBridge proposes to seek initial disposition of the balance in this account in the second annual update following in-service. This update is expected to be the filed in 2023 for inclusion in 2024 UTR rates. NextBridge seeks to leave the CCVA open for the remainder of the IR Term to account for activities that are a direct result of construction, such as environmental costs associated with the Overall Benefits Permit and Amended EA. The final disposition will take place at the end of the IR Term and in the next rebasing application for NextBridge.

Question(s):

a) Please clarify the relationship between the COVID-related construction costs that are recorded in the sub-account under Account 2055 and the costs to be recorded in the CCVA (a sub-account under Account 1508).
b) Please confirm that the $1,419,000 estimated environmental costs post in-service date is accurate as of this date. If not, please provide a revised number.
c) Please confirm that the nature of the environmental cost after the in-service date is OM&A, and not capital related.
d) If c) is confirmed, would it be more appropriate to amortize the total $1,419,000 over the IR term and include the amortized annual amount of $141,900 into the

OM&A cost of the test year which is the approach used in the regulatory costs in a typical transmission/distribution rebasing application? Please provide NextBridge's position on this approach.

e) Please confirm whether the primary reason for NextBridge's proposal to leave the CCVA open and dispose of the account on a final basis at the end of the IR term is to allow for recoveries of environmental costs in excess of the $1,419,000 forecasted.
f) In the event that the CCVA does not include environmental costs (instead these costs are included in the revenue requirement), please confirm whether NextBridge would agree to close the CCVA at the second annual update following the in-service date of operation.
g) If e) is not confirmed, please specify any other costs that could be included in the CCVA post the in-service date of operation.
h) With respect to the difference between the forecasted and actual project costs that is to be recorded in the CCVA, please confirm that this component could result in a debit balance to be collected from the ratepayers or a credit balance to be refunded to the ratepayers.

<u>RESPONSE</u>

a) COVID-related construction costs that are recorded in the CWIP sub-account under Account 2055 are capital costs incurred during construction; while the associated revenue requirement for those costs are to be recorded in the CCVA.
b) This estimate of $1,419,000 is accurate as of this date.
c) The environmental costs are a direct result of the capital construction of the line and were necessary requirements to secure permitting and construction of the line. Due to this, the costs are part of the capital project and the appropriate accounting treatment is as capital.
d) In addition to the costs being capital costs, it is not appropriate to amortize the costs over the IR period because the $1,419,000 is the expected spend of the first year post in-service. To collect that amount over 9 years and 9 months, while it was spent it in the first year of IR period, would leave NextBridge in a position of under collection for the entire IR term. Additionally, there would a loss due to the carrying cost associated with the $1,419,000.
e) Yes, the primary reason for leaving the CCVA open through the IR term is to capture environmental costs associated with remediating construction impacts.
f) Yes, NextBridge would agree to close the CCVA with the approval of a Z-factor account if a material unplanned remediation cost occurred.
g) N/A, (e) is confirmed
h) Yes, the account could result in a debit or credit balance.

STAFF INTERROGATORY #71

INTERROGATORY

Reference: (1) Filing Requirements for Electricity Transmission Applications / Chapter 2 / p.35
(2) Exhibit H / Tab 1 / Schedule 1 / p.1

Preamble:
Reference 1 states that:

> In the event an applicant seeks an accounting order to establish a new deferral or variance account, the following eligibility criteria must be met:
> - Causation - The forecasted expense must be clearly outside of the base upon which revenue requirement(s) were derived.
> - Materiality – The forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the transmitter. Otherwise they must be expensed in the normal course and addressed through organizational productivity improvements.
> - Prudence - The nature of the costs and forecasted quantum must be reasonably incurred, although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating why the option selected represents the cost-effective option (not necessarily least initial cost) for ratepayers.

In Reference 2, NextBridge states that it seeks the Board's approval to establish five new deferral/variance accounts:
- Taxes or Payments in Lieu of Taxes Variance Account, existing USofA account 1592
- Revenue Differential Variance Account
- Construction Cost Variance Account
- Debt Rate Variance Account
- Z Factor Treatment (Account 1572)

Question(s):
a) Except for the existing accounts 1592 and 1572, please explain how the eligibility criteria (i.e. causation, materiality and prudence) for the three new variance accounts requested is expected to be satisfied.

<u>RESPONSE</u>

a. Materiality (explanation for all three accounts):

Several variance accounts were needed due to the unique, start-up circumstances of NextBridge including: 1) as a new transmitter, 2) applying a Revenue Cap framework in its first application, 3) not having existing operations or revenues by which to balance the potential financial exposure, and 4) building a large new infrastructure project. The combination of the minimum materiality applied to each account could materially impact the operations of the company. If all three accounts discussed below held the minimum materiality amount, NextBridge would be expensing approximately $835,000 which would materially affect its operations. As reference, NextBridge calculated its materiality consistent with the Filing Requirements for Electricity Transmission Applications, Section 2.1.1. This equates to $55,700,000 x 0.5%, or $278,500.

As NextBridge's Application includes forecasted construction costs, all accounts are symmetrical which means the materiality is applied equally to customers as it is to NextBridge. NextBridge's Application request for recovery of $737.1 is based on substantial evidence of the prudency of those costs, including that approximately 90 percent are known and fixed through executed contracts. NextBridge is also proposing a one-time update to its long-term debt costs such that it allows for a credit to customers if the costs of actual long-term debt decreases or increasing the cost of debt if actual long-term debt is higher than that proposed in the Application.

In the context of a recently settlement, in EB-2019-0261, Decision and Order (Nov. 19, 2020), the OEB accepted deferral accounts prior to knowing the expected balance including OEB's approval of Hydro Ottawa Limited's (Hydro Ottawa) sub-account "1508 – Subset of system access capital additions (net of contributions) revenue requirement differential variance account". Consistent with the Hydro Ottawa, NextBridge is proposing:

- Revenue Differential Variance Account (RDVA)
  - Causation: The RDVA will only be utilized if the in-service date is not March 31, 2022. Amounts included in this deferral account will be distinguished as outside of the base revenue as the application calculated the revenue requirement based on a March 31, 2022 in-service date.

  - Prudence: As determined by the IESO, the NextBridge project is developed to provide the least-cost solution to supply power to Northwestern Ontario and delivering the project in-service is cost effective for customers. While NextBridge currently projects the March 31, 2022 in-service date as achievable, unknown events, such as the ongoing COVID-

19 pandemic, may impact the in-service date. The costs associated with addressing unknown events, such as COVID-19, will be prudently incurred as required to bring the East-West Tie line in-service. Therefore, it is reasonable to establish a revenue tracking account for the potential that either the East-West Tie line is brought into service prior to or after the March 31, 2022 in-service date.

- Construction Cost Variance Account (CCVA)
  - Causation: The rate application is based on forecasted construction costs as the East-West Tie line is not yet in-service. Any amounts included in this variance account will be easily distinguishable as the revenue requirement included in the variance account will be calculated a new rate base than is different from the rate base in the Application. The costs included in this account will include costs necessary to complete the construction of the East-West Tie line.

  - Prudence: While NextBridge's forecasted costs for the East-West Tie line project are $737.1 million, the project is not due to be in-service until March 31, 2022. This account would capture any currently unknown and prudently incurred costs beyond the $737.1 for review and disposition at a later date. As any new and prudently incurred costs will be beyond the $737.1 million. As the NextBridge Application sets forth forecasted construction cost, the final prudently incurred construction costs can be different than what was projected in the Application. This account will contain the revenue requirement difference between the forecasted East-West Tie line construction costs and actual prudently incurred construction costs. NextBridge will identify and track any new costs in a manner that shows they are not included in the $737.1 million forecast.

- Debt Rate Variance Account (DRVA)
  - Causation: The Application is based on the OEB Cost of Capital Parameters and the long-term debt rate used in the application was 3.21%. NextBridge expects the long-term debt rate to be secured on financing closer to the in-service date and the debt rate used to ultimately finance the utility is not yet available. The revenue requirement difference due to the long-term debt rate will be easily distinguishable as the calculations will clearly outline the difference due to the actual cost of long-term debt rate as compared to 3.21% included in the application.

  - Prudence: Securing private debt placement for the project is prudent because it will ensure long-term financial viability of the company. Not securing long-term debt for the project would leave the project exposed to

TAB 8

STAFF INTERROGATORY #72

INTERROGATORY

Reference: (1) Exhibit H / Tab 1 / Schedule 1 / p.1
(2) The OEB's letter dated July 25, 2019 re "Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance"

Preamble:
In Reference 1, NextBridge requests a deferral account for Taxes or Payments in Lieu of Taxes Variance Account under the existing USofA account 1592. NextBridge proposes the disposition of the account at the end of the IR term through to the next rebasing application. OEB staff understands that the next rebasing application would be for 2032 rates.

In Reference 2, the OEB establishes Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules.

Question(s):

a) Please confirm that the impact of the change in the CCA rules is to be recorded in the sub-account CCA Changes, as established by the OEB in its July 25, 2019 letter.
b) Please confirm that the balance in Account 1592 would likely be a debit balance given that there is only $0.58 million of PILs expense embedded in the revenue requirement in this application. If not, please explain why.

RESPONSE

a) Yes, changes in CCA rules would be recorded in the sub-account CCA Changes.

b) Confirmed. If NextBridge were to be impacted by tax changes that warranted the use of Account 1592, it would likely be a debit balance since only $0.58 million was included in the revenue requirement.

ENERGY PROBE INTERROGATORY #7

INTERROGATORY

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.

RESPONSE

a) The rates for LT and ST debt in the table on page 17 are from the OEB-approved cost of capital parameters for 2020, released on October 31, 2019, as described in Exhibit G, Tab 2, Schedule 2.

b) The specific reasons for procuring long-term debt close to the initial in service date are: 1) having the East-West Tie line near completion and the certainty of cost recovery will provide the East-West Tie line with better financing rates, which, in turn, will benefit ratepayers, and 2) the East-West Tie line structure, including the buy-in of Bamkushwada, LP, are not expected to be completed until near the in-service date.

STAFF INTERROGATORY #67

INTERROGATORY

Reference: (1) Exhibit G / Tab 2 / Schedules 1-3

Preamble:
The forecast weighted average long-term debt rate used for the test year 2022 is calculated to be 3.21% (based on 2020 Cost of Capital Parameters released by the OEB on October 31, 2019, for rates effective January 1, 2020). To reflect the actual cost of long-term debt in the revenue requirement, NextBridge proposes a one-time update in 2023 of the cost of long-term debt (refer to the Debt Rate Variance Account explanation in Exhibit 8) after the first 12 months after in-service (April 1, 2022 to March 31, 2023). This update will reflect the actual market rate for project debt financing. This update is expected to occur only once in 2023 during the IR term.

To reflect the actual cost of short-term debt in the revenue requirement, NextBridge proposes a one-time update of the cost of short-term debt that aligns with the update to long term debt in the Debt Rate Variance Account.

The 2021 Cost of Capital Parameters released by the OEB on November 9, 2020 for rates effective January 1, 2021 is 2.85 % for long-term debt, 1.75 % for short term debt and 8.34% for return on equity.

Question(s):

a) Please confirm if the revenue requirement for 2022 will be based on the 2022 Cost of Capital parameters to be issued by the OEB in 2021. If not, why not?
b) What is the current expected long-term debt rate?
c) Do you expect the long-term debt rate to be lower than the OEB approved long-term debt rate?
d) Please confirm if the long-term debt rate will be based on actual annual rates for 2023 to 2031 or will it be a weighted average.
e) Could you please confirm that the issuance of long-term debt will have a maturity after the IR term?

RESPONSE

a) NextBridge will not update the 2022 revenue requirement with 2022 Cost of Capital parameters. As stated in Exhibit G, Tab 2, Schedule 4, NextBridge requests that the cost of capital be fixed for the IR term of nine years and nine months to allow for rate certainty to customers. As discussed in Staff #70, NextBridge expects fixing the ROE for the IR term of nine year and nine months will generate $80 million of savings for customers.

b) NextBridge's application utilizes the OEB Cost of Capital for long-term debt, as the actual long-term debt rate is not known at this time. NextBridge has requested a debt rate variance account to record any differences in rates once rates are known.

c) NextBridge cannot predict the rate of long-term debt for the time period when NextBridge will seek permanent financing.

d) NextBridge expects to utilize a weighted average for the long-term debt rate.

e) NextBridge does not know the maturity schedule as the long-term debt has not been issued yet; however, it is expected there will be maturities during and after the IR term. NextBridge expects the debt profile to closely align with the amortization of the regulated rate base to maintain the authorized capital structure.

STAFF INTERROGATORY #65

INTERROGATORY

Reference: (1) Exhibit G / Tab 1 / Schedule 1 / pp. 1-3

Preamble:
The total Cost of Capital Rate proposed by NextBridge is 5.32% with $41.0 million revenue requirement from April 1, 2022 to December 31, 2022.

The 2021 Cost of Capital Parameters released by the OEB on November 9, 2020 for rates effective January 1, 2021 is 2.85 % for long-term debt, 1.75 % for short term debt and 8.34% for return on equity.

Staff Table – 2021 Cost of Capital Parameters

Test Year 12 Months				
Amount of Deemed			Cost Rate	Return
Return	($ Millions)	%	(%)	($ Millions)
Long-term debt	431.4	56	2.85	12.29
Short-term debt	30.8	4	1.75	0.54
Common Equity	308.2	40	8.34	25.20
Total	770.4		5.00%	38.5

Question(s):

a) Based on the 2021 OEB Cost of Capital Parameters OEB Staff calculates a total cost of capital rate of 5.00% and revenue requirement of $38.5 million for the test year for NextBridge. Please confirm if NextBridge agrees with this calculation.

RESPONSE

NextBridge agrees with the calculation shown in the Staff table. Please refer to Staff #70 part b.

Table 1. Summary of Cost of Capital for Test Year 2022 ($ Millions)

NextBridge
Summary of Cost of Capital
Utility Capital Structure
Calculation of Revenue Requirement
Test Year (April 1, 2022 to March 31, 2023)
($ Millions)

Line No.	Particulars	($ M)	%	Cost Rate (%)	Return ($ M)
		(a)	(b)	(c)	(d)
I	Long-term debt	431.4	56.0%	3.2%	13.8
2	Short-term debt	30.8	4.0%	2.8%	0.8
3	Deemed long-term debt	0.0	0.0%	0.0%	0.0
4	Total debt	462.3	60.0%	3.2%	14.7
5	Common equity	308.2	40.0%	8.5%	26.3
6	Total rate base	770.4	100.0%	5.3%	41.0

Table 2. NextBridge Cost of Capital

Test Year 12 Months				
Amount of Deemed			**Cost Rate**	**Return**
Return	**($ Millions)**	**%**	**(%)**	**($ Millions)**
Long-term debt	431.4	56%	3.21%	13.8
Short-term debt	30.8	4%	2.75%	0.8
Common equity	308.2	40%	8.52%	26.3
Total	**770.4**	**100%**	**5.32%**	**41.0**

Table 3. Return on Capital ($ Millions)

Categories	Test Year
Return on Debt	14.7
Return on Equity	26.3
Return on Capital	**41.0**

STAFF INTERROGATORY #69

INTERROGATORY

Reference: (1) Exhibit G, Tab 2, Schedule 3, Page 1

Preamble:
To reflect the actual cost of short-term debt in the revenue requirement, NextBridge proposes a one-time update of the cost of short-term debt that aligns with the update to long term debt in the Debt Rate Variance Account.

Question(s):

a) What is the current expected short-term debt rate?
b) Do you expect the short-term debt rate to be lower than the OEB approved short-term debt rate?
c) Please confirm if the short-term debt rate will be fixed for the duration of the IRM period and whether there will be any interaction with the DRVA.

RESPONSE

a) NextBridge's application utilizes the OEB Cost of Capital for short term debt, as the actual short-term debt rate is not known at this time. NextBridge has requested a debt rate variance account to record any differences in rates once rates are known.

b) NextBridge cannot predict the rate of short-term debt for the time period when NextBridge will seek permanent financing.

c) When NextBridge executes the long-term debt for the East-West Tie line, NextBridge will determine how to structure the short-term debt. NextBridge expects to dispose of the DRVA balance in the second annual update following in-service.

STAFF INTERROGATORY #70

INTERROGATORY

Reference: (1) Exhibit A / Tab 3 / Schedule 1 / p. 17
(2) OEB's webpage for Cost of Capital Parameters Update
(3) Exhibit G / Tab 2 / Schedule 4

Preamble:

NextBridge's application Return on Equity (ROE) of 8.52% is based on the cost of capital parameters released by the OEB on October 31, 2019 for 2020 applications. NextBridge requests that the ROE be fixed at 8.52% for the 10-year IR Term to allow for rate certainty for customers. NextBridge states that fixing an 8.52% ROE for the entire IR Term will eliminate exposing ratepayers to increases in rates due to increasing ROEs prior to the end of the IR Term.

The 2021 Cost of Capital Parameters released by the OEB on November 9, 2020 for rates effective January 1, 2021 is 8.34% for return on equity.

Question(s):

a) Could you please quantify the premium that customers are incurring for rate certainty by fixing the ROE?
b) Please update NextBridge's application to reflect the 2021 OEB Cost of Capital Parameters for ROE.
c) Is there any reason, in NextBridge's view, that it would not be appropriate to adjust the proposed fixed ROE to 8.34% based on the updated Cost of Capital parameters? Please explain.
d) How will NextBridge ensure ratepayers are not adversely impacted if the OEB-approved ROE decreases?
e) If the fixed ROE is greater than the annual OEB-approved transmitter ROE levels after the first 5 years of the IR Term, is NextBridge willing to have an off-ramp so that rates can be adjusted?
f) If the fixed ROE is greater than the annual OEB-approved transmitter ROE levels after the first 5 years of the IR Term, is NextBridge willing to track any incremental revenue in a variance account?

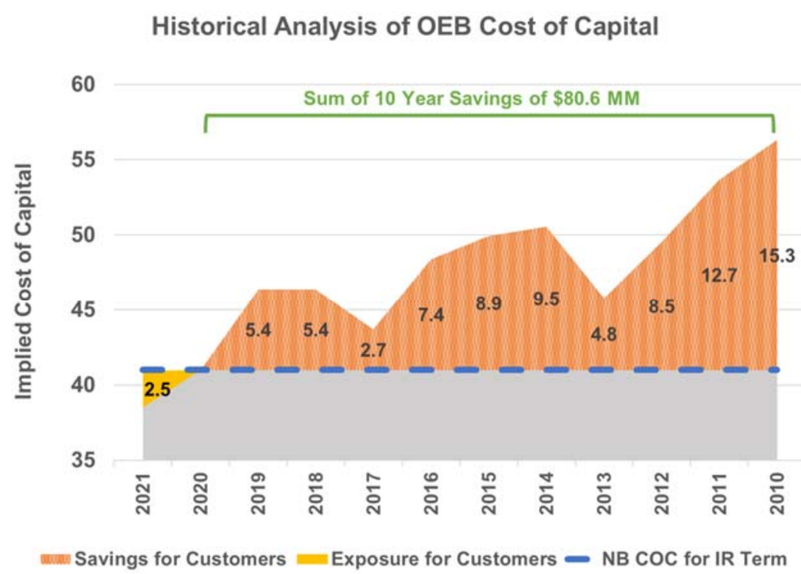
RESPONSE

a) NextBridge disagrees with the inference that customers are expected to pay a premium for a fixed ROE. To the contrary, historical data suggests customers will receive a savings for fixing the ROE for the 9 year and 9 month IR term. NextBridge's application uses an ROE of 8.52% ROE which is lower than the prior 10 years of ROEs determined by the OEB due to interest rates being driven to historical lows.

Customers are more likely to benefit from securing a low ROE for the proposed IR term.

To quantify this savings for customers, the figure below is a historical analysis of the cost of capital impacts for the past 10 years. The analysis uses NextBridge's $770.4 million project cost applied to historical OEB cost of capital parameters. It is then compared to the proposed cost of capital in NextBridge's application of $41.0 million. For example, if the 2010 cost of capital parameters were in effect for a year, customers would pay $56.3 million or $15.3 million more in that year than the NextBridge's fixed cost of capital of $41.0 million.

If the past 10 years of historical cost of capital were repeated in the future, the savings to customers for locking in the current cost of capital for almost 10 years would be $80.6 million. Furthermore, interest rates are at all-time lows, so the probability that rates will increase in the future is far more likely than rates declining. In order to be considered a premium to customers, interest rates would need to stay at historic lows for 10 consecutive years.



For purposes of clarity, the following calculation demonstrates how the analysis was performed using 2010 data. When there were two deemed weighted average cost of capital for a single year, the average was used.

$$NextBridge's\ Cost\ of\ Capital\ for\ IR\ Term = \$770.4\ M * 5.32\% = \$41.0\ M$$
$$2010\ Implied\ Cost\ of\ Capital = \$770.4 * 7.31\% = \$56.3\ M$$
$$Potential\ 1\ Year\ Savings\ for\ Customers = \$56.3\ M - \$41.0\ M = \$15.3\ M$$

b) NextBridge's Application's approach to the IR term appropriately uses the 2020 OEB Cost of Capital parameters, because the IR term approach was developed with the extended length of the IR term of 9 years and 9 months, in which NextBridge is foregoing any update on the cost of equity, and will only make a one-time update based on the actual cost of long-term debt. Further, as shown in the figure above, the savings to customers for the IR term offsets the small benefit of updating to the 2021 OEB Cost of Capital Parameters.

c) See responses to (a) and (b) above. It is appropriate for NextBridge to remain at the ROE proposed in its application because of the extended period of the IR term offered by NextBridge which is historically low and favorable to customers.

d) The OEB's Chapter 2 - Filing Requirements for Electricity Transmission Applications provides two possible application frameworks: Revenue Cap and Custom IR. NextBridge has applied under a Revenue Cap framework which requires a single test year cost of service application, followed by a formulaic adjustment to revenue requirement for the balance of the term. Applying the proposed RCI (I-X) to the base revenue requirement is consistent with the Revenue Cap framework. Updating the ROE during the IR term appears inconsistent with the Revenue Cap framework which requests a minimum of a five year term with a fixed ROE. Additionally, NextBridge's annual earnings filings will allow the OEB to monitor over earnings with the off ramp trigger of 300 bps in accordance with the Revenue Cap framework.

e) Updating the ROE mid-term of the proposed IR period would be inconsistent with the proposed structure of the NextBridge application which seeks longer term rate certainty for both NextBridge and customers.

f) See above response to (e).

TAB 9

BOMA INTERROGATORY #1

INTERROGATORY

Reference*:* *Exhibit B/Tab 1/Schedule 4/Page 7 of 14*

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. 2018-0275. Assets operating beyond ESL generally have a higher likelihood of failing or being in poor condition. The depreciation of the of the East-West Tie line is in line with the overall expected life of the assets that comprise the project.

Question:

(a) Please provide the average age of the components and the ESL. Table 2 on Page of 14 does not do so.

RESPONSE

	Description	Quantity	Average Age of Components (Years)	ESL (Years)[1]
Conductor	The conductor of an overhead transmission line is the asset responsible for transporting electricity between system nodes.	892 circuit km	New	70
Steel Towers	Steel structures elevate transmission lines above the ground, providing clearance from ground objects and separation between the circuit conductors and other line components.	1227 Structures	New	90

Insulators	Insulators provide mechanical support for overhead conductors and must provide electrical isolation between the energized conductors they support and the grounded towers to which they are attached.	7368 Insulators	New	60
1. ESL is based on the proposed Projection Life taken from Statement E of the Fosters Depreciation Study performed for the Bruce to Milton Application.				

STAFF INTERROGATORY #66

INTERROGATORY

Reference: (1) Exhibit G / Tab 1 / Schedule 1 / pp. 1-3
(2) Staff - 66Table

Preamble:
The total cost of capital rate proposed by NextBridge is 5.32% with $41.0 million revenue requirement from April 1, 2022 to December 31, 2022. NextBridge will continue to complete an annual capital investment planning process to continually refine a plan that appropriately reflects operational needs, while minimizing rate impacts by not requesting these annual capital expenditures be added to rate base over the IR Term. This is NextBridge's proposal to mitigate any potential for significant earnings due to planned capital expenditures.

Based on Table 1 the revenue requirement for capital is $2.5 million lower based on the 2021 OEB Cost of Capital Parameters instead of the 2020 OEB Cost of Capital Parameters.

Question(s):

a) Please explain why NextBridge's proposed rate framework does not include any earning sharing mechanism?
b) Will NextBridge support the inclusion of an Earnings Sharing Mechanism in its rate framework? Please explain.

RESPONSE

a) NextBridge did not include an earning sharing mechanism, because:
    a. It is unique as a single asset transmitter and has a unique IR Term of 9 years and 9 months.
    b. There is already an OEB appointed trigger of 300 bps for over earning.
    c. NextBridge will report earnings annually and the OEB will have visibility into any over earnings.
    d. This is a new transmission line – there is exposure for unplanned expenses that may mitigate over earnings.
b) See part a.

TAB 10

36. Further details on the maintenance services are presented in Exhibit B.

37. 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:

Table 6. NextBridge OM&A Expense ($ Millions)

OM&A Expense ($ Millions)	Test Year
Operations & Maintenance	1.27
Regulatory	0.07
Compliance & Administration	1.67
Indigenous Participation	0.89
Indigenous Compliance	0.44
Property Taxes & Rights Payments	0.60
Total OM&A	**4.94**

H. Cost of Capital

38. NextBridge's deemed capital structure for rate-making purposes is 60% debt and 40% common equity of utility rate base, where the 60% debt component is comprised of 4% deemed short-term debt and 56% long-term debt. This structure is consistent with the OEB's report on the Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (EB-2009-0084), and its subsequent Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities, dated January 14, 2016. The table below outlines NextBridge's cost of capital.

STAFF INTERROGATORY #61

INTERROGATORY

Reference: Exhibit D / Tab 1 / Schedule 1 / pp. 3-4 / Table 2

Preamble:
In the evidence, NextBridge proposes to report on OM&A cost per circuit kilometer as a performance measure. In Table 2, NextBridge provides OM&A benchmarking study results.

Question(s):

a) In terms of its annual reporting for OM&A cost per circuit kilometer, please clarify and explain what specifically NextBridge intends to report as its OM&A cost for this performance measure? For instance, in Table 2, NextBridge provides Total OM&A (which is the sum of OM&A Expenses, Admin. & Corporate, and Regulatory). Would the OM&A value used for OM&A cost per circuit kilometer be Total OM&A, only OM&A Expenses, or something else?
b) Please clarify what specific costs constitute being reported as the following:
   - OM&A Expenses
   - Admin. & Corporate
   - Regulatory
   - Total OM&A
c) Please confirm the circuit length, in kilometres, that NextBridge will commit to use for the OM&A cost per circuit kilometre is 450 km.

RESPONSE

a) NextBridge will report OM&A cost per circuit kilometer annually, based upon total OM&A. Total OM&A for the test year is $4.94 million and can be found in Exhibit F, Tab 4, Schedule 1, Page 2, Table 1. In the Reference above, Table 2 is NextBridge's benchmarking study results, which were normalized to ensure comparability across projects in the study. Indigenous Participation and Compliance costs were excluded from Table 2 as these are not directly comparable to the other projects.

b) A detailed breakdown of OM&M costs, per category, can be found in Exhibit F, Tab 4, Schedule 2, Page 1 through 9.

c) NextBridge will commit to use 450 km as the metric for circuit length when annually reporting OM&A per circuit kilometer.

Table 1. NextBridge OM&A Expense ($ Millions)

Cost Category	2022
Operations & Maintenance	1.27
Regulatory	0.07
Compliance & Administration	1.67
Indigenous Participation	0.89
Indigenous Compliance	0.44
Property Taxes & Rights Payments	0.60
Total OM&A	**4.94**

More details on the future spending on each of these components are included below.

SEC INTERROGATORY #11

INTERROGATORY

Question:

[F-4-1, p.12] In EB-2017-0182 the Applicant's OM&A forecast was $3.9M a year as compared to the $4.94 that it now forecasts. Please explain the variance and why it is reasonable.

RESPONSE

The primary driver between the OM&A forecast in EB-2017-0182 and the Application is Indigenous costs. While Indigenous costs were included in EB-2017-0182, it was an estimate as agreements had not been executed. Additionally, the requirements for caribou mitigation were unknown at the time since the Species at Risk permit had not yet been issued. The application now reflects an OM&A forecast for executed Indigenous agreements, permit compliance, and species-at-risk mitigation.

STAFF INTERROGATORY #30

INTERROGATORY

Reference: (1) Exhibit F / Tab 4 / Schedule 2 / p. 4

Preamble:
Of the $4.94 million of OM&A costs, $1.67 million are indicated as Compliance and Administration expenses.

Reference 1 states:

> NextBridge has a Project Director, who is employed by NEET…
> Included in these costs is only 75% of the expected cost for the Project Director's labour costs. NextBridge will not seek recovery of the remaining 25% as an efficiency mechanism, thus providing direct efficiency savings to ratepayers.

Question(s):

a) Please breakdown the $1.67 million Compliance and Administration expenses into:
   - i) Project Director's Office
   - ii) Property Owner Relations
   - iii) Non-Indigenous Stakeholder Relations
   - iv) Corporate Services
   - v) Insurance expenses.

b) Could you please quantify the cost savings associated with not seeking recovery of 25% of the Project Director's labour costs?

c) Please explain the rationale that was used to determine the 75% recovery of the Project Director's labour costs.

d) Please confirm that this plan to recover 75% of the Project Director's labour costs meets the requirements of the Affiliate Relationship Code.

RESPONSE

a) Compliance and Administration of $1.67 million is broken down as follows:
   - i) Project Director's Office: $627,000
   - ii) Property Owner Relations: $169,000
   - iii) Non-Indigenous Stakeholder Relations: $254,000
   - iv) Corporate Services: $558,000
   - v) Insurance expenses: $62,000

b) The cost savings of 25% of the Project Director's labour, which includes the Project Director and the Project Director's analyst, is $141,000 per year. This includes applicable labour overheads such as benefits, payroll tax, and employee incentive.

c) The rationale for only seeking recovery of 75% of the Project Director's labour is to account for non-productive time. Non-productive time will include vacation, holiday, sick, training or other non-productive time so NextBridge has proposed absorbing this expense.

d) Please refer to Staff #28 (b) on why the ARC is inapplicable.

STAFF INTERROGATORY #31

INTERROGATORY

Reference: (1) Exhibit F / Tab 4 / Schedule 2 / p. 7

Preamble:
Of the $4.94 million of OM&A costs, $0.89 million are described as Indigenous Participation expenses.

Reference 1 states:

> Indigenous participation costs include annual costs from negotiated project agreements related to the East-West Tie line to support Indigenous participation and engagement that mitigate impacts on Indigenous rights and interests. Also included are management and labour costs to ensure that the provincial commitments made during the negotiation of various agreements are carried out through the operations phase of the project.

Question(s):

a) Please provide a breakdown of the $0.89 million Indigenous Participation expenses.
b) These costs appear to be materially higher than the indigenous participation cost estimates provided in the LTC application, please explain the reason(s) for the increase.
c) How did NextBridge determine these costs to be reasonable?
d) The management and labour costs described in Reference 1 are associated with which staff? Please provide a detailed explanation of what these costs entail.

RESPONSE

a) NextBridge negotiated agreements with Indigenous communities which were intended to support Indigenous participation and engagement that mitigate impacts on Indigenous rights and interests. The $0.89 million in Indigenous Participation expenses are comprised entirely of the annual payments related to these agreements; therefore, there is no breakdown to be provided. The terms of the agreements are for 20 or 50 years. The reference to management and labour costs was made in error. NextBridge confirms that, other than the annual payments from the negotiated East-West Tie line project agreements, there are no other costs included within this category.

b) In NextBridge's response to Staff #54 within the EB-2017-0182 LTC application, NextBridge forecasted that its OM&A costs would include $1 million in "Indigenous costs (land, participation)" which NextBridge explained was comprised of costs based on already negotiated permits to cross Reserves. The costs forecasted in the LTC application were based on best estimates at that time. In light of the fact that there had not been any transmission infrastructure developed in the region in recent decades, it was not possible to provide a more accurate prediction of Indigenous costs until negotiations relating to East-West Tie line project agreements had concluded.

Additionally, unforeseen events that occurred after the LTC estimate was provided necessitated negotiating additional agreements which increased the original cost estimate. One of the impacted Indigenous groups pursued, and is in the process of settling, a land claim with the Federal Government. The land claim led to an increase in the size of the Indigenous group's Reserve land, resulting in the requirement to negotiate an amended agreement in respect of the increased land. Furthermore, as a result of the guidance provided by the Provincial Government in relation to the sufficiency of the Duty to Consult, NextBridge was required to negotiate additional mitigation agreements to discharge the Crown's obligation.

c) These participation agreements were negotiated in the spirit of reconciliation in order to secure land rights, mitigate impacts to asserted and/or proven Indigenous rights and interests, address provincial Crown conditions of approval related to East-West Tie line permitting, and reduce overall project risks and costs. The agreements ensure prudency for the ratepayer while reducing risk by allowing for the construction of the East-West Tie line with the free, prior, and informed consent of Indigenous groups.

NextBridge took qualitative measures to determine the prudency of the Indigenous Participation expenses by reviewing the investment of community relationships for the East-West Tie line, partnership experience in the area, and evaluating routing.

As noted in this Application at Exhibit C, Tab 2, Schedule 4, there has not been transmission infrastructure built requiring a Federal Section 28.2 permit in Ontario in recent years. NextBridge used the expertise of partnership organization Enbridge having experience as a right of way owner and operator in the region in negotiating Federal Section 28.2 permits for linear infrastructure. Enbridge's expertise was factored into the budget creation for these costs.

Additionally, NextBridge invested significant time and effort in consultations and negotiations with the Indigenous communities in which East-West Tie line will operate. Project agreements were required to understand and appreciate the historic, cultural, traditional uses, and other unique factors related to the Indigenous world view that needed to be considered, respected, and reflected ultimately in the negotiated agreements.

Finally, NextBridge also considered the potential costs of avoiding the crossing of Indigenous Reserve lands and determined that the costs associated with re-routes were higher and more environmentally impactful than the costs associated with securing the Federal Section 28.2 permits. It is important to note that without these agreements, the East-West Tie line could not have been built with the free, prior, and informed consent of the Indigenous communities engaged.

d) The reference to management and labour costs was made in error. Please see response to part a. above.

TAB 11

Z-FACTOR CLAIMS

1. 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.

HONI INTERROGATORY #10

INTERROGATORY

Issue List Item:
#7 – Deferral/Variance Accounts

Topic:
Transmission Asymmetrical Capital Account

References:
Exhibit H, Tab 1, Schedule 1 – Deferral and Variance Accounts

> *"NextBridge will potentially apply for Z-factor treatment if material costs are incurred for unforeseen events for reasons beyond the company's control that occur during the IR Term. NextBridge will apply for an accounting order for use of this account should such an event occur and will notify the OEB prior to including any amounts in this account."*

Preface:
Like all transmitters in Ontario, NextBridge will have access to standard regulatory mechanisms, such as the Z-Factor (which NextBridge is specifically seeking OEB confirmation to utilize if appropriate circumstances prevail), off-ramps, and the Incremental Capital Module (ICM) or Advance Capital Module (ACM), if it encounters circumstances beyond management's control that impact the profitability/ sustainability of operations during the Application's proposed rate file period.

Questions:
a) Please explain the rationale behind why NextBridge believes it requires additional forms of regulatory protection from the new accounts it has requested the OEB to approve in this Application.

RESPONSE

a) NextBridge disagrees with the assertion that it is requiring additional forms of regulatory protection. NextBridge's Application brings forward the potential use of a Z-factor, similar to other transmitters such as Bruce to Milton's approach filed in EB-2019-0178 at Exhibit A, Tab 4, Schedule 1, Page 6 (see below). As a new transmitter, NextBridge has requested new accounts to establish proper accounting vehicles for anticipated needs once in-service.

be credited to a new deferral account for clearance at the time of B2M LP's next rebasing. The calculation of the actual ROE for a Test year will use the OEB-approved mid-year rate base for that period.

1.4.2 Z-FACTOR

B2M LP is proposing, consistent with the Handbook, that the OEB's Z-factor mechanism be available over the term of this Revenue Cap IR Application. This is consistent with the principles of the RRF. The criteria that would apply to the use of the Z-factor mechanism are those outlined by the OEB in Chapter 2 of the Filing Requirements for Electricity Transmission Applications and the guidelines provided in section 2.6 of the OEB's Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (July 14, 2008).

Events that may necessitate the use of the Z-factor mechanism include:

- Extreme weather events, such as storms;
- Investments that are government-mandated or otherwise outside of management's control;
- Changes to IESO market rules;
- Changes to OEB codes, policies or other directions;
- Changes to accounting frameworks or technical standards;
- Changes to government policy, legislation, or regulation, such as environmental laws; and
- Any other one-time or ongoing events that meet the Z-factor criteria.

TAB 12

STAFF INTERROGATORY #2

INTERROGATORY

Reference: (1) Exhibit A / Tab 2 / Schedule 3 / p. 3
(2) Exhibit A / Tab 3 / Schedule 1 / p. 4

Preamble:
Reference 2 states that "this Application requests approval of a revenue requirement and the establishment of an RCI for the period starting on, April 1, 2022 through December 31, 2031 determined by using a forward test-year approach and an annual revenue adjustment based on the Board's incentive regulation approach."

NextBridge has proposed this RCI period instead of the minimum 5-year term because the East-West Tie line is a single asset and its rates will not be changing significantly during this term. Implementing a longer IR term will result in fewer proceedings before the Board and in turn greater savings to ratepayers. The IR term is 9 years-and-9 months.

Question(s):

a) Please provide the amount of expected savings to ratepayers. Please detail the assumptions used to determine the amount of expected savings.
b) Please specify the type and amount of savings to NextBridge and ratepayers in a 9 years-and-9 months IR term compared to a 5-year IR-term.
c) Explain if and how these savings will be provided to ratepayers.

RESPONSE

a) Expected savings to ratepayers from having a 9 year 9 month IR term instead of 2 5 year terms will be realized in various ways. As discussed in the reference above, avoiding the cost of an additional rate proceeding during the proposed IR term is one avenue of savings. Through similar type cases, NextBridge believes the savings would be between $1 million to $2 million. This was informed by two recent cases of Hydro Ottawa (EB-2019-0261) costs of $2.3 million and ENWIN Utilities (EB2019-0032) costs of $1.1 million. ENWIN Utilities had a similar revenue requirement as NextBridge while Hydro Ottawa's revenue requirement was larger than NextBridge's. An additional proceeding would be amortized into rates for the 2nd IR term under the 5 year IR structure as opposed to the 9 year and 9 month structure NextBridge has proposed. The current revenue requirement for NextBridge's IR term of 9 years and 9 months does not contain amortized rate case expenses.

   As explained in detail in Staff #70, the second way NextBridge's proposal provides savings to ratepayers is through locking in the ROE for the extended IR term of 9 years and 9 months. Current cost of capital parameters are at historic lows and the historic analysis performed on cost of capital in Staff #70 indicate that ratepayers could expect to save in the order of $80 million.

b) The savings to ratepayers of a 9 year and 9 month IR term compared to a 5 year IR term is the following:
   a. Fewer rate proceedings (intervenor costs, consultants, legal expenses, OEB staff and facilitator costs, hearing costs) as explained in (a) above.
   b. As outlined in Staff #70 in detail and mentioned above in (a), locking in the ROE for the extended IR term provides customers an estimated $80 million in savings due to the historically low interest rates.
   c. Ratepayers are protected from large escalations in costs due to NextBridge's use of the Revenue Cap framework which requires a utility to manage costs within the approved funding envelope.
   d. Avoidance of incremental NextBridge partners' staff required to support more frequent regulatory proceedings. NextBridge's proposal contains minimal personnel to operate the East-West Tie line.

c) The savings identified in (b) above are passed on to customers by:
   a. Rate case savings - the Application currently does not have rate case expenses amortized over the IR term. Additional costs would need to be added and amortized over the following term.
   b. Locking in the ROE – the current revenue requirement included in the application is 8.52% over the 9 year and 9 month term. Adding a 2nd IR term would allow use of an updated ROE for the 2nd IR term, which would likely be higher and increase the revenue requirement.
   c. Avoiding cost escalation – costs identified in the Application would need to be managed for the 9 year and 9 month IR term by NextBridge. Adding a 2nd IR term in 5 years would provide an opportunity to update costs to actual inflation rates experienced.
   d. Avoiding incremental staff – NextBridge current application has included minimal employees and NEET support costs to manage the ongoing operations but has not staffed or included staff to handle additional regulatory proceedings.

TAB 13

STAFF INTERROGATORY #62

INTERROGATORY

Reference: Exhibit D / Tab 1 / Schedule 2 / p. 1

Preamble:
At the above noted reference, NextBridge states the following:

> In the absence of T-SAIDI and T-SAIFI metrics, NextBridge will provide additional information, on a best efforts basis, to demonstrate the performance of NextBridge's transmission circuits. NextBridge will measure interruptions to HONI delivery points caused by NextBridge's circuits using the two proposed measures. The proposed contribution measures would not be NextBridge's true T-SAIDI and T-SAIFI measure because NextBridge has no delivery points, but the denominator would be all HONI delivery points.

Question(s):

a) Please explain why NextBridge is only able to provide the above noted information on a best efforts basis.
b) Please confirm the number, and the specific Hydro One delivery points that NextBridge is referring to in the above statement.
c) Please confirm if the reporting on T-SAIDI and T-SAIFI, with respect to HONI delivery points, would be additional performance measures to those listed in Staff-59(a)?

RESPONSE

a) To calculate the T-SAIDI and T-SAIFI metrics, NextBridge would need to have direct visibility into HONI's transmission system and customer delivery points. NextBridge does not currently have such visibility, but it is willing to use best efforts to work with HONI to calculate the T-SAIDI and T-SAIFI metrics if it is desired that such metrics be provided as they indirectly relate to the East-West Tie line.

b) To clarify, as explained in Energy Probe #24, NextBridge has no customer delivery points, only HONI or other transmitters would have customer delivery points. The purpose of the statement in the Application was made in the spirit of working with HONI, which has customer delivery points, to calculate the T-SAIDI and T-SAIFI metrics as discussed in part a.

c) NextBridge does not confirm that Transmission Reliability Indicators, such as T-SAIDI and T-SAIFI will be reported as part of the performance metrics. Rather, NextBridge proposed to report Average System Availability as described in the response to Staff #59.

STAFF INTERROGATORY #59

INTERROGATORY

Reference: Exhibit D / Tab 1 / Schedule 1 / p. 1

Preamble:
At the above noted reference, NextBridge states the following:

> Given the nature of the East-West Tie line, it does not lend itself to applying the typical performance measures that might be used to evaluate the performance of other transmitters. The East-West Tie line does not include any terminal breakers or other operable assets, as the demarcation point on each of the circuits is a structure outside of the HONI stations, as noted in Exhibit B, Tab 1, Schedule 2. Also, NextBridge does not have any customer delivery points (or meter assets), which are the basis of interruption-based reliability performance measures like SAIDI and SAIFI. In addition to these operating characteristics, the life-cycle portfolio also detracts from meaningful comparisons. The East-West Tie line is new whereas most other transmitters own a portfolio of assets that traverse the various stages of asset life. Therefore, NextBridge's performance measures do not readily provide meaningful comparisons to those of other transmitters.

Question(s):

a) Please confirm that NextBridge is proposing the tracking and annual reporting of the following performance measures. If there are any measures not included in the listing below, but that should be added, please provide the necessary update(s) to the listing.
   - 0.00 OHSA Recordable Injuries per Year
   - Return on Equity
   - NERC Vegetation Compliance
   - OM&A Cost per Circuit Kilometer
   - Average System Availability

b) For each performance measure provided in response to (a), please indicate how in future proceedings, NextBridge will be able to demonstrate achievement against each measure target. For example, will a single metric to demonstrate performance against the Average System Availability measure be established? For NERC Vegetation Compliance, will NextBridge only provide a single statement indicating its compliance with FAC-003-004, or will NextBridge detail the vegetation prevention-related actions it has undertaken?

c) Please provide the targets for each performance measure provided in response to (a) for the years 2022 to 2031.

RESPONSE

a) Confirmed.

b) A single value will be used to demonstrate performance against each measure.

OHSA Injuries per Year: Listing of number of injuries each year. Injury defined by OHSA which is further explained in Staff Interrogatory #60.

Return on Equity (ROE): NextBridge will utilize audited financial statements to calculate ROE. ROE is calculated by dividing the Net Income (less extraordinary non-operating items such as startup cost reimbursement) by the Partner's equity. NextBridge has proposed an ROE of 8.52% in the application, based on the 2020 OEB Cost of Capital parameters and would therefore use 8.52% as the target to measure against annually.

NERC Vegetation Compliance: NextBridge will report the number of violations as determined by FAC-003-004.

OM&A Cost per Circuit Kilometer: NextBridge's target is to keep its cost of OM&A per kilometer at the number filed in its Application ($4.94 million (total cost of OM&A in the Application) / 450km = 10,977

Average System Availability: NextBridge will report a single number for this number for this metric which should be greater than the target listed below

c) Targets below:

YEAR	OHSA Recordable Injuries	ROE	NERC Veg Compliance Violations	OM&A $/km	Ave. System Availability
2022	0	8.52%	0	$10,977	99%
2023	0	8.52%	0	$10,977	99%
2024	0	8.52%	0	$10,977	99%
2025	0	8.52%	0	$10,977	99%
2026	0	8.52%	0	$10,977	99%
2027	0	8.52%	0	$10,977	99%
2028	0	8.52%	0	$10,977	99%
2029	0	8.52%	0	$10,977	99%
2030	0	8.52%	0	$10,977	99%
2031	0	8.52%	0	$10,977	99%

TAB 14

Ontario Energy Board | **Commission de l'énergie de l'Ontario**

Ontario

EB-2018-0275

Niagara Reinforcement LP

Application for electricity transmission revenue requirement beginning January 1, 2019 and related matters

DECISION ON INTERIM RATES
December 20, 2018

Niagara Reinforcement LP (NRLP) filed an application with the Ontario Energy Board (OEB) on October 25, 2018 under section 78 of the *Ontario Energy Board Act, 1998, S.O. 1998,* c. 15, (Schedule B). NRLP is seeking approval for a new electricity transmission revenue requirement to be effective on an interim basis January 1, 2019.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by setting a revenue requirement for each transmitter. These individual revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that recover the revenue requirements uniformly from ratepayers across the province.

This application[1] is interrelated with two other applications being considered by the OEB:

- Approval for Hydro One Networks Inc. (Hydro One Networks) for leave to sell certain transmission assets to NRLP[2]
- Approval for an electricity transmitter licence for NRLP[3]

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[1] EB-2018-0275
[2] EB-2018-0276
[3] EB-2018-0277

NRLP requested approval of an interim revenue requirement to be included in the calculation of 2019 UTRs in order to provide monthly revenue for NRLP. NRLP submitted that it is important to NRLP, and its proposed First Nations partners, to receive revenue in 2019 after execution of the transaction, to allow for the satisfaction of financing arrangements and to provide income to the partners and their communities.

NRLP expects the transferred assets to be placed in-service by Hydro One Networks on May 31, 2019 and sold to NRLP on or about June 1, 2019.

NRLP requested provision for an interim 2019 revenue requirement of $6,253,000 reflecting cost recovery for the portion of 2019 in which the transferred transmission assets are forecast to be in-service. There is no existing OEB-approved revenue requirement for NRLP. NRLP currently owns no assets, but Hydro One Networks is seeking approval to sell assets to NRLP.

NRLP requested that its proposed 2019 revenue requirement of $6,253,000 be recovered entirely from the network pool[4] in the 2019 UTRs, and that the charge determinants for the purpose of setting the UTRs be zero.[5]

NRLP has also requested the establishment of a 2019 Revenue Requirement Variance Account for NRLP to track differences between the estimated stub period revenue requirement of $6,253,000 and the forecast costs that will be proposed in the revenue requirement application for 2020 to 2024. NRLP is proposing to only true-up certain components of its requested 2019 interim revenue requirement.

Findings

The OEB finds that request for approval for an interim revenue requirement effective January 1, 2019 is premature, and therefore not approved. The OEB will consider NRLP's full application and address the request for approval of a revenue requirement on an interim basis in due course.

NRLP has applied to the OEB for approval to sell certain transmission assets from Hydro One Networks to NRLP,[6] and for an electricity transmitter licence for NRLP for these transmission assets.[7] The OEB has not issued decisions on either of these applications, and both proceedings are in early stages of review.

[4] December 7, 2018 letter to the OEB from NRLP
[5] December 7, 2018 letter to the OEB from NRLP
[6] EB-2018-0276
[7] EB-2018-0277

The OEB has issued a decision setting the UTRs for 2019 on an interim basis,[8] pending the consideration of applications by Hydro One Networks Inc.[9], Hydro One Sault Ste. Marie LP[10], and NRLP[11] for transmission revenue requirements. The OEB expects there to be opportunities to update the UTRs in 2019.

NRLP is forecasting that the sale will be complete and its assets to be in-service in June 2019. The OEB finds that it is not necessary for NRLP's proposed revenue requirement to be made interim at this time, several months in advance of the expected in-service date for its assets. There is another opportunity for NRLP's revenue requirement to be included in the final 2019 UTRs, if appropriate, therefore the OEB finds NRLP's request premature.

There is no need for the OEB to make a determination on NRLP's charge determinants, allocations to transmission rate pools, or need for variance accounts at this time.

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DATED at Toronto, December 20, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

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[8] EB-2018-0236
[9] EB-2018-0130
[10] EB-2018-0218
[11] EB-2018-0275