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April 6, 2021

Via RESS & EMAIL

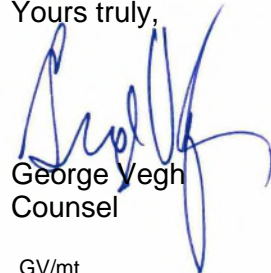
Ms. Christine E. Long
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Upper Canada Transmission, Inc.'s ("NextBridge"), EB-2020-0150,
Undertaking Responses of NextBridge for J3.1 to J3.6 from Oral Hearing on March 31, 2021**

Please find enclosed responses to undertakings J3.1 to J3.6 for the Oral Hearing held on March 31, 2021 in regards to the above-noted proceeding.

Yours truly,



George Vegh
Counsel

GV/mt

cc. All Parties in EB-2020-0150

Upper Canada Transmission Inc.- NextBridge

EB-2020-0150

Oral Hearing

Undertakings - March 31, 2021

	March 31, 2021
J3.1	TO ADVISE WHETHER THE 711 NUMBER IS CORRECT, AND IF NOT TO ADVISE WHAT IT SHOULD BE
J3.2	TO PROVIDE A BREAKDOWN OF THE 4.94 MILLION DOLLARS SHOWN AT TAB 23 OF STAFF'S COMPENDIUM, PAGE 138 OF THE PDF
J3.3	TO IDENTIFY ANY PARTS OF THE 4.94 MILLION DOLLARS THAT ARE SUBJECT TO ALREADY AGREED-UPON INFLATION TERMS AND TO IDENTIFY WHAT THE AMOUNTS ARE, WHAT THE INFLATION TERM IS, AND FOR WHAT PERIOD.
J3.4	TO PROVIDE A BOTTOM-UP BUDGET THAT SHOWS THE DERIVATION OF THE 627 MILLION; TO INCLUDE ESTIMATES OF NEET CHARGES; TO PROVIDE A BREAKDOWN OF THE CORPORATE SERVICES AMOUNT
J3.5	TO FILE THE RATES THAT NEET IS GOING TO CHARGE.
J3.6	TO CONVERSE WITH HYDRO ONE ABOUT FILING THE DRAFT AGREEMENT

JT 3.1 - TO ADVISE WHETHER THE 711 NUMBER IS CORRECT, AND IF NOT TO ADVISE WHAT IT SHOULD BE

Figure 11 of the CRA report was adjusted below to show the correct values for East-West Tie. The change was de minimis increasing from \$1.65 M/km to \$1.72 M/km. The costs for East-West Tie are in nominal costs for construction completed in 2022. That is the correct comparable cost to use as each project below used nominal cost for the year which construction was complete.

	NextBridge EWT (Designation Proceeding)	New EWT	Bruce to Milton	BC NTL	2014 WECC	AESO Project 1	AESO Project 2	Niagara
Voltage (kV)	230 kV	230 kV	500 kV	287 kV	230 kV	240 kV	240 kV	230 kV
Length (km)	400	450	180	344	450	450	450	76
Costs reported in \$	2012	2022	2012	2014	2014	2013	2013	2019
Total Cost Line Only (\$M)	419	774	327	664	653	1468	1333	119
Line Cost (adjusted to 2022 \$M)	489	774	430	871	866	1748	1590	126
2022 Cost M/km	1.22	1.72	2.39	2.53	1.92	3.89	3.53	1.66

JT 3.2 - TO PROVIDE A BREAKDOWN OF THE 4.94 MILLION DOLLARS SHOWN AT TAB 23 OF STAFF'S COMPENDIUM, PAGE 138 OF THE PDF

NextBridge has reviewed this undertaking and the transcript and believes that the actual intent was for NextBridge to provide a breakdown of which costs are fixed in the \$4.94M OM&A budget. The table below describes which portions of the OM&A budget are fixed.

All values are in millions and may not foot due to rounding.

	Application Exhibit F, Tab 4, Schedule 1, Table 1	Fixed Costs	Notes	Additional Reference
Operations & Maintenance	\$ 1.27	\$ -	Costs from HONI SLA have fixed rates but the contract is not a fixed price contract	Staff IR #29
Regulatory	\$ 0.07	\$ -	Labour costs are under the NEET SLA	
Compliance & Administration	\$ 1.67	\$ -	Labour costs are under the NEET SLA	
Indigenous Participation	\$ 0.89	\$ 0.89		
Indigenous Compliance	\$ 0.44	\$ 0.20	Labour costs are under the NEET SLA	Staff IR #32
Property Taxes & Rights Payments	\$ 0.60	\$ 0.60		
Total OM&A	\$4.94	\$1.69		

JT 3.3 - TO IDENTIFY ANY PARTS OF THE 4.94 MILLION DOLLARS THAT ARE SUBJECT TO ALREADY AGREED-UPON INFLATION TERMS AND TO IDENTIFY WHAT THE AMOUNTS ARE, WHAT THE INFLATION TERM IS, AND FOR WHAT PERIOD.

All parts of the budget subject to inflation will inflate over the 10-year IR term. The exact values of this inflation are subject to market conditions (such as the increased costs of labour and materials) and NextBridge cannot predict these values.

All values are in millions and may not foot due to rounding.

	Application Exhibit F, Tab 4, Schedule 1, Table 1	Subject to Inflation	Notes	Additional Reference
Operations & Maintenance	\$1.27	\$0.87	All costs expected to inflate annually; except HONI SLA rates which are set for 3 years	Staff IR #29
Regulatory	\$0.07	\$0.07	NEET SLA subject to inflation	
Compliance & Administration	\$1.67	\$1.67	NEET SLA subject to inflation Office expenses subject to inflation (rent, office, audit, etc.), Land rental fees subject to inflation	
Indigenous Participation	\$ 0.89	\$0.77	Agreements subject to inflation by City of Toronto CPI	Staff IR #26
Indigenous Compliance	\$ 0.44	\$0.29	Indigenous Cultural Mitigation Payments subject to inflation by City of Toronto CPI NEET SLA subject to inflation	Staff IR #32
Property Taxes & Rights Payments	\$0.60	\$0.595	Agreements subject to inflation by City of Toronto CPI	Staff IR #26
Total OM&A	\$4.94	\$ 4.27		

JT 3.4 - TO PROVIDE A BOTTOM-UP BUDGET THAT SHOWS THE DERIVATION OF THE 627 MILLION; TO INCLUDE ESTIMATES OF NEET CHARGES; TO PROVIDE A BREAKDOWN OF THE CORPORATE SERVICES AMOUNT

NextBridge has reviewed this undertaking and the transcript and believes that the actual intent was for NextBridge to provide a bottom-up budget that shows the derivation of the Compliance and Administration OM&A budget (that includes \$627 thousand from the Project Director's Office); excluding insurance expenses. The breakdown should include estimates of charges from the NEET service level agreement.

All values are in millions and may not foot due to rounding.

Compliance & Administration	\$1.67	Exhibit F, Tab 4, Schedule 2, Pages 3-7 / See Staff IR #30	
Project Director's Office	\$ 0.627		
Property Owner Relations	\$ 0.169		
Non-Indigenous Stakeholder Relations	\$ 0.254		
Corporate Services	\$ 0.558		
Insurance	\$ 0.062	Not included in the undertaking request	
Project Director's Office	\$0.627		
Labour	\$0.422	75% of labour in Project Director's Office - See Staff IR #30	NEET SLA
Office	\$0.080	Office space and maintenance	
Annual Audit	\$0.125	Independent financial auditor	
Property Owner Relations	\$0.169		
Obtaining land permits	\$0.002	Securing up to 10 permits for maintenance activities	
Labour - Land filings	\$0.007	Annual land filings for existing permits	NEET SLA
Labour - Line list update	\$0.012	Annual line list update for ~750 parcels (printing, title costs and data pulls)	NEET SLA
Labour - Mailouts	\$0.007	Specific to landowners to provide key information and help prevent encroachments on the ROW	NEET SLA
Land tenure rental fees	\$0.141	Annual fees or periodic reoccurring payments (e.g. MTO and MNRF Land Use Permit)	
Non-Indigenous Stakeholder Relations	\$0.254		
Labour	\$0.141	Stakeholder engagement program management	NEET SLA
Expenses	\$0.015	Travel and other expenses related to in person stakeholder meetings	

Newsletters & Mailings	\$0.031	Two public mailings annually - targeted communications for maintenance activities, etc.	
Newsletters & Mailings	\$0.006	Translation costs of mailings into French	
Community Support	\$0.036	Community support for 10 local communities	
Memberships / Associations	\$0.010	For example, Northwestern Ontario Municipal Association	
Website / Social Media hosting	\$0.015	Website and social media hosting	
Corporate Services	\$0.558		
Labour - Accounting	\$0.456	Finance, accounting, tax, debt management, compliance management, regulatory accounting, cost management (3 part time resources; Includes management oversight)	NEET SLA
Expenses	\$0.090	Miscellaneous expenses (external support if needed for tax / accounting guidance)	
Expenses	\$0.012	Travel and employee expenses	

JT 3.5 - TO FILE THE RATES THAT NEET IS GOING TO CHARGE.

As NextBridge explained at the oral hearing,¹ The NEET service level agreement does not include specific rates, rather the labour under the NEET service level agreement will be a direct charge based on hours worked and a function of the salary of the person. Therefore, below are the sections from the NEET service level agreement that pertain to direct charges.

The NEET service level agreement remains in draft form, and is subject to final negotiations and execution, and, therefore, the below passages are provided as a draft and subject to change.

Definitions:

“Pass-Through Costs” means those reasonable and actual direct and indirect costs properly incurred by Operator in the performance of its duties under this Agreement in accordance with Operator’s established practice and policies then in effect. Pass-Through Costs shall include all operations and capital costs incurred to perform day-to-day and long-term Services and will also include support costs and transition costs such as (a) legal costs, (b) home office costs, (c) human resources costs, recruiting and retention costs, relocation costs for personnel, management costs, employee bonuses, (d) costs of non-operations accounting, bookkeeping and administrative costs, engineering costs and reliability support costs, (e) all other overhead costs, (f) all reasonable mobilization costs incurred by Operator and (g) all costs incurred in connection with transition services in connection with a change to a new operator or any termination of this Agreement.

Section 2.1.1

2.1.1 Personnel. Operator shall provide and make available, as necessary, all such labor and professional, supervisory and managerial personnel as are required to perform the Services. Such personnel shall be competent, qualified (including possessing appropriate licenses) and experienced in the duties to which they are assigned. All individuals employed by Operator in the performance of the Services shall be the employees of Operator or seconded employees of Affiliates of Operator, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Operator.

Section 2.2

2.2 Subcontractors. Operator may enter into subcontracts for certain of the Services; provided, however, all subcontracts shall be fair and reasonable to Operator and Owner and shall be negotiated on an arm’s length basis.

Section 5.1

5.1 Pass-Through Costs. Owner shall pay Pass-Through Costs incurred by Operator performing the Services in the manner set forth herein. Nothing in this Section 5 is intended to prohibit Operator and Owner from agreeing to per unit charges for certain Services, provided that the per unit prices billed by Operator to Owner shall be true-up to actual costs on at least an annual basis, so that, on an annual

¹ Transcript Vol. 3, p. 79, lines 5-21.

basis, Owner shall pay no more and no less than Operator's actual direct and indirect costs and expenses of providing such Services. Notwithstanding anything to the contrary herein, the amounts charged by Operator to Owner shall be no higher than the amounts charged by Operator to its other Affiliates or to a nonaffiliated Person (within the same market area or having the same market conditions) for the same service or class of services

JT 3.6 - TO CONVERSE WITH HYDRO ONE ABOUT FILING THE DRAFT AGREEMENT

NextBridge has been in contact with Hydro One and they are amenable to filing the agreement with certain sections of the publicly filed document redacted for confidential reasons. Both a public version will be filed, and a confidential version will be provided to the OEB registrar by Friday April 9, 2021, consistent with Board's Practice Direction on Confidential Filings. The pricing terms and conditions in the agreement are highly sensitive business confidential information that if publicly disclosed would harm the competitive positions of NextBridge and Hydro One. The terms and conditions associated with pricing, which is based on years of experience in developing large and complex transmission projects and the expending of significant time, money, and resources to develop a disciplined approach to pricing. To publicly disclose this information would harm the competitive positions of NextBridge and Hydro One in that it would give providers of similar competitive services information useful in making their own decisions, without expending the time and money necessary to gather and develop the data, and would allow providers of these competitive services to profit or otherwise derive benefits at the expense of NextBridge and Hydro One. Therefore, the unredacted, confidential attachment is being provided to the Board in accordance with the Board's Practice Direction on Confidential Filings.