

**ONTARIO ENERGY BOARD**

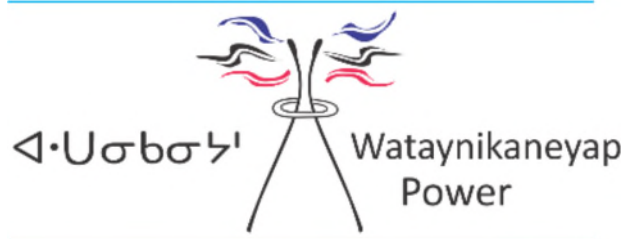
**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, C.S.O. 1998, c.15 (Sched. B); pursuant to section 92 of the *Ontario Energy Board Act*.

**AND IN THE MATTER OF** an Application by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP, for an Order or Orders to establish a deferral account, for the purposes of recording certain costs relating to development of the Wataynikaneyap Transmission Project.

**WATAYNIKANEYAP POWER LP**

**Semi-Annual Report on CWIP Account  
and Backup Supply Arrangements**

**April 15, 2021**



## 1. Executive Summary

### Introduction

On April 1, 2019, the OEB issued a Decision and Order in EB-2018-0190 (the “Decision”), granting Wataynikaneyap Power LP (“WPLP”) leave to construct certain transmission lines and related facilities, as well as approving certain code exemptions and a cost recovery and rate framework.<sup>1</sup> The Decision directs WPLP to use CWIP Account 2055 to record construction costs and approved WPLP’s request to transfer the balances from its development costs deferral account to the CWIP account. In addition, the Decision establishes, as a condition of approval, that WPLP must provide the OEB with semi-annual updates on the CWIP account, as well as on the progress of backup supply arrangements for the connecting communities, with the first such report being due on October 15, 2019 and subsequent reports being required every April 15 and October 15. Reporting on the CWIP account is required until all costs related to initial construction of the transmission system are cleared from the CWIP account<sup>2</sup> and reporting on backup power is required until arrangements have been fully implemented for all connecting communities. Moreover, those reports are to be based on December 31 and June 30 cut-offs for financials, and March 31 and September 30 cut-offs for project activities.

In a November 3, 2020 letter, the OEB clarified that unless WPLP’s rate application has been filed by the time of its April 2021 semi-annual report, complete details of its updated project costs and variance analysis should be presented in that report. In addition, the OEB clarified that while the initial transmission rate application is before the OEB, WPLP will not be required to report on the CWIP account as part of the semi-annual reports but WPLP should continue to report on the progress of the back-up supply arrangements. WPLP is in the process of finalizing its first transmission rate application, which it expects to file later in April 2020 (EB-2021-0134). As such, this semi-annual report provides CWIP account balances and high-level variance analysis consistent with prior reports, with references to sections of WPLP’s pending rate application that will contain detailed variance analysis.

The reports set out below are intended to address the requirements reflected in the Decision by reporting on each of the following:

- CWIP Account – Account balances, forecasts and explanations of variances; details of government funding received
- Backup Supply Arrangements – Summary of progress, key issues and risks, and details of arrangements and timing for each community

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<sup>1</sup> The OEB revised its Decision and Order on April 29, 2019 to distinguish the CWIP interest rates applicable to debt incurred on an arm’s length basis vs debt incurred on a non-arm’s length basis in paragraph 7 of the Order section.

<sup>2</sup> The Decision states “until the CWIP account is terminated” (Schedule B, Condition 4). WPLP’s interpretation is that in directing WPLP to use CWIP Account 2055 instead of establishing a CWIP deferral account, the CWIP account will not be “terminated”, and the intent of this requirement is to apply the reporting requirement until CWIP balances related to initial construction have been transferred from CWIP Account 2055 to in-service assets.

## CWIP Account

In addition to the transfer of \$69 million in development costs to March 31, 2019, WPLP has spent approximately \$377 million in construction costs to the end of December 31, 2020, resulting in a CWIP account balance of approximately \$446 million plus capitalized interest of \$12.4 million excluding COVID-19 related construction costs. Section 2.1 provides details of CWIP spending to date. Since filing its first CWIP report on October 15, 2019, WPLP achieved financial close, and has carried out detailed engineering and significant construction activities through its EPC contractor. Based on the results of these detailed engineering efforts and associated adjustments to the project schedule, WPLP has updated project schedule and cost forecasts. Variances between forecasted project costs (excluding COVID-19 pandemic related construction costs) and original project costs presented in the leave to construct, EB-2018-0190, will be detailed in Exhibit B-1-5 of WPLP's transmission rate application.

As a result of schedule impacts and uncertainties resulting from the pandemic, and to appropriately manage pandemic-related construction cost increases while minimizing the impact on the overall project schedule, WPLP anticipates that its first transmission assets will now be placed in service in 2022. Schedule variance analysis, including impacts related to COVID-19, will be detailed in Exhibit B-1-3 of WPLP's transmission rate application.

In its April 29, 2020 letter in EB-2020-0133, the OEB confirmed the applicability of Account 1509 (Impacts Arising from the COVID-19 Emergency) to electricity transmitters. Specifically, the OEB confirmed that a sub-account for Other Costs should be used to record incremental identifiable costs related to the COVID-19 emergency. As explained in WPLP's January 25, 2021 comments on the Staff Proposal in the OEB's consultation on the account, WPLP determined based on its review of the Staff Proposal that Account 1509, as contemplated, does not apply to WPLP's unique circumstances. Specifically, WPLP noted that, as the developer of a priority transmission system for which no rates have been established and no facilities are in service, but for which leave to construct has been granted along with a requirement to record all development and construction costs in CWIP Account 2055, WPLP already has an approved mechanism for recording its COVID-related costs. As such, WPLP indicated its intention to continue recording any of its COVID-related costs in CWIP Account 2055, and to track those amounts separately from other development and construction costs in the account. WPLP will bring forward a proposal for the recovery of these costs in Exhibit H-2-2 of its transmission rate application.

Consistent with WPLP's development costs deferral account reporting, this report contains details of government funding received by WPLP, including its affiliates and predecessors (see Sections 2.2 and 2.3) and details of carrying charges recorded in accordance with the decisions in EB-2016-0262 and EB-2018-0190 (see Section 2.4)<sup>3</sup>.

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<sup>3</sup> In accordance with the decision in EB-2016-0262, carrying charges earned on development costs were recorded at the prescribed rates published by the OEB. Subsequent carrying charges recorded in accordance with the decision in EB-2018-0190 are recorded at WPLP's actual cost of debt.

## **Backup Supply Arrangements**

The Decision requires WPLP's reporting with respect to backup supply arrangements to provide an understanding, in relation to the forecasted grid-connection date for each community, of whether backup supply is likely to be available when, where and in the amount required.

As described in Section 3.1, the Backup Power Plan was finalized in Q2 of 2020, subject to additional processes required to approve the implementation details and secure the necessary funding for each community. Section 3.2 addresses the key issues and risks in relation to implementing the Backup Power Plan, including with respect to timing in relation to grid-connection dates. Section 3.3 outlines the preliminary backup power implementation dates, in relation to grid-connection dates, subject to the above-noted further schedule updates related to the COVID-19 pandemic.

## 2. CWIP Account

### 2.1 Construction Cost, Forecasts and Variances

The table below provides a comparison between the project cost forecast as provided in the CWIP report dated October 15, 2019<sup>4</sup> and the current project cost forecast.

As compared to the October 15, 2019 project cost forecast, the current project cost forecast is reduced by approximately \$44 million, due to overall reductions in both non-EPC and contingency cost forecasts. Detailed project cost variance analysis is presented in Exhibit B-1-5 of WPLP's 2022 test year rate application.

Project spend was delayed in 2020 due to the COVID-19 pandemic. As described in Exhibit B-1-3 of WPLP's 2022 test year rate application, WPLP was able to work with its EPC contractor to develop a COVID-adjusted project schedule that resulted in minimal delay to community energization dates. The resulting compression of construction activity has contributed to an approximately \$22 million reduction in forecasted capitalized interest cost.

As at December 31, 2020, WPLP has incurred \$17 million in COVID-19 related costs and forecasts total COVID-19 related costs for the project of \$72 million. Costs incurred to date reflect an accrual for COVID-related change order costs from WPLP's EPC contractor, as well as related legal and consultant costs. Exhibit H-2-2 of WPLP's 2022 test year rate application provides a detailed description of WPLP's incremental construction costs resulting from the COVID-19 pandemic, as well as WPLP's proposed rate treatment for those amounts.

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<sup>4</sup> The project cost forecast provided in the October 15, 2019 CWIP report was not updated in the April 15, 2020 CWIP report due to significant uncertainty surrounding the impacts of the COVID-19 pandemic at that point in time.

**Wataynikaneyap Power LP (WPLP)**  
**Project Cost Forecast**  
**For the Reporting Period - July 1, 2020 to December 31, 2020**

	Forecasted Project Costs (October 2019 Report)	Current Forecast Project Costs	Variance between Project Forecast presented October 15, 2019 CWIP Report and Current	Project Spend to date	Percent of Current Forecast Spent
EPC Contract - Transmission Line Facilities - Line to Pickle Lake	\$ 213,126,464	\$ 213,126,464	\$ -	\$ 110,664,340	52%
EPC Contract - Transmission Line Facilities - Remote Connection Lines	\$ 889,935,766	\$ 889,935,766	\$ -	\$ 199,122,998	22%
EPC Contract - Station Facilities - Line to Pickle Lake	\$ 36,234,762	\$ 36,234,762	\$ -	\$ 6,436,514	18%
EPC Contract - Station Facilities - Remote Connection Lines	\$ 293,482,233	\$ 293,482,233	\$ -	\$ 15,560,377	5%
Other Infrastructure	\$ 36,750,000	\$ 36,750,000	\$ -	\$ -	0%
HONI Interconnection	\$ 5,913,000	\$ 3,913,000	\$ 2,000,000	\$ -	0%
Engineering, Design, Project/Construction Management & Procurement	\$ 134,274,841	\$ 111,890,782	\$ 22,384,059	\$ 61,861,873	55%
Environmental Assessments, Routing, Permitting, Regulatory & Legal	\$ 28,302,009	\$ 28,547,541	-\$ 245,532	\$ 22,265,361	78%
Land Rights	\$ 13,810,316	\$ 12,560,825	\$ 1,249,491	\$ 4,888,794	39%
Aboriginal Engagement, Stakeholder Consultation, Participation and Training	\$ 36,012,877	\$ 44,297,122	-\$ 8,284,245	\$ 30,115,122	68%
Contingency	\$ 145,543,622	\$ 118,211,275	\$ 27,332,347	\$ -	0%
<b>Costs before AFUDC</b>	\$ 1,833,385,890	\$ 1,788,949,770	\$ 44,436,120	\$ 450,915,378	25%
Capitalized Interest	\$ 55,853,471	\$ 33,522,731	\$ 22,330,740	\$ 12,443,237	37%
<b>Total Project Costs (Excluding COVID-19 Costs)</b>	\$ 1,889,239,361	\$ 1,822,472,501	\$ 66,766,860	\$ 463,358,616	25%
COVID-19 Incremental Costs***	\$ -	\$ 72,213,390	-\$ 72,213,390	\$ 17,399,652	24%

\*\*\* Refer to exhibit H-2-2 of WPLP rate application for 2022 test year

## 2.2 Government Funding Received

The following tables provide a summary of government funding received to date by WPLP, including its affiliates and predecessor entities. In particular, all government funding has been provided to the Central Corridor Energy Group (CCEG), which is a predecessor of WPLP's majority partner FNLP, and to FNLP's indirect subsidiary Opiikapawiin Services LP (OSLP). Upon completion of services in relation to the project, FNLP and/or OSLP invoice WPLP and it is at that point that WPLP incurs the relevant cost, with the timing for these amounts being presented in 2.3.

WPLP established a Funding Sub-Account pursuant to the OEB's decision and order in EB-2016-0262, which also indicated that a determination as to whether the costs to be recovered from ratepayers should be offset by any funding amounts received would be made at the time of disposition.<sup>5</sup> WPLP's proposed treatment of these amounts in the context of its 2022 test year rate application is set out in Exhibit H-2-1 of that application.

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<sup>5</sup> EB-2016-0262, Decision and Order dated March 23, 2017, p. 11.

**First Nations LP and OSLP - Government Funding**  
**(Current CWIP Reporting Period - July 1, 2020 to December 31, 2020)**

**Funding Received Prior to the Current CWIP Reporting Period**

#	Source	Entity Receiving Funding	Type	Program	Activity	Prescribed Restrictions	Total New Funding Received from Source*	Funding Expended on Regulatory Assets within Watay LP**
1	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 2,259,069	\$ 1,914,617
2	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Build Canada Fund (BCF)	Aboriginal Engagement	Subject to the terms of the funding agreement	\$ 1,000,000	\$ 1,000,000
3	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Community Opportunities Readiness Program (CORP)	Environmental Assessment	Subject to the terms of the funding agreement	\$ 923,744	\$ 923,806
4	Indigenous and Northern Affairs Canada (INAC)	Central Corridor Energy Group (CCEG)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 1,310,689	\$ 1,310,689
5	Indigenous and Northern Affairs Canada (INAC)	Central Corridor Energy Group (CCEG)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 875,000	\$ 875,000
6	Indigenous and Northern Affairs Canada (INAC)	Central Corridor Energy Group (CCEG)	Federal	Regional Program Funds	Aboriginal Engagement / Participation	Subject to the terms of the funding agreement	\$ 1,400,000	\$ 1,400,000
7	Indigenous and Northern Affairs Canada (INAC)	Central Corridor Energy Group (CCEG)	Federal	Strategic Partnerships Initiative	Aboriginal Engagement / Participation	Subject to the terms of the funding agreement	\$ 1,155,908	\$ 1,155,908
8	Indigenous and Northern Affairs Canada (INAC)	Central Corridor Energy Group (CCEG)	Federal	Lands and Economic Development Services Program	Aboriginal Engagement / Participation	Subject to the terms of the funding agreement	\$ 100,000	\$ 100,000
9	FedNor	Central Corridor Energy Group (CCEG)	Federal	N/A	Aboriginal Engagement / Participation	Subject to the terms of the funding agreement	\$ 430,011	\$ 430,011
10	Independent Electricity System Operator (IESO)	Opiikapawiin Services LP (OSLP)	Provincial	Education & Capacity Building Program	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 162,875	\$ 87,617



**First Nations LP and OSLP - Government Funding**  
**(Current CWIP Reporting Period - July 1, 2020 to December 31, 2020)**

**Funding Received Prior to the Current CWIP Reporting Period**

#	Source	Entity Receiving Funding	Type	Program	Activity	Prescribed Restrictions	Total New Funding Received from Source*	Funding Expended on Regulatory Assets within Watay LP**
11	Northern Ontario Heritage Fund Corporation (NOHFC)	Central Corridor Energy Group (CCEG)	Provincial	N/A	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 50,000	\$ 50,000
12	Ministry of Energy	Central Corridor Energy Group (CCEG)	Provincial	N/A	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 139,941	\$ 139,941
13	Ministry of Energy	Central Corridor Energy Group (CCEG)	Provincial	N/A	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 26,704	\$ 26,704
14	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiiin Services LP (OSLP)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 201,548	\$ 108,683
15	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiiin Services LP (OSLP)	Federal	Build Canada Fund (BCF) ***	Aboriginal Engagement	Subject to the terms of the funding agreement	\$ 1,790,000	\$ 1,284,400
16	Independent Electricity System Operator (IESO)	Opiikapawiiin Services LP (OSLP)	Provincial	Education & Capacity Building Program	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 10"	N/A
17	Employment and Social Development Canada (ESDC)	Opiikapawiiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF)	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 1,942,175	\$ 1,534,648
18	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiiin Services LP (OSLP)	Federal	Build Canada Fund (BCF) - Relates to item 15 above	Aboriginal Engagement	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 15"	N/A
19	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiiin Services LP (OSLP)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 403,095	\$ 91,317
20	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiiin Services LP (OSLP)	Federal	Community Opportunities Readiness Program (CORP) - Relates to item 3 above	Environmental Assessment	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 3"	N/A
21	Independent Electricity System Operator (IESO)	Opiikapawiiin Services LP (OSLP)	Provincial	Education & Capacity Building Program - Relates to item 10 above	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 10"	N/A
22	Employment and Social Development Canada (ESDC)	Opiikapawiiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF) - Relates to item 17 above	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 17"	N/A

**First Nations LP and OSLP - Government Funding**  
**(Current CWIP Reporting Period - July 1, 2020 to December 31, 2020)**

**Funding Received Prior to the Current CWIP Reporting Period**

#	Source	Entity Receiving Funding	Type	Program	Activity	Prescribed Restrictions	Total New Funding Received from Source*	Funding Expended on Regulatory Assets within Watay LP**
23	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 565,232	\$ 83,654
24	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Build Canada Fund (BCF) - Relates to item 15 above	Aboriginal Engagement	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 15"	N/A
25	Employment and Social Development Canada (ESDC)	Opiikapawiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF) - Relates to item 17 above	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 17"	N/A
26	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Strategic Partnerships Initiative	Aboriginal Participation	Subject to the terms of the funding agreement	\$ 690,836	\$ 100,523
27	Indigenous and Northern Affairs Canada (INAC)	Opiikapawiin Services LP (OSLP)	Federal	Build Canada Fund (BCF) - Relates to item 15 above	Aboriginal Engagement	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 15"	N/A
28	Employment and Social Development Canada (ESDC)	Opiikapawiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF) - Relates to item 17 above	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 17"	N/A
29	Employment and Social Development Canada (ESDC)	Opiikapawiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF) - Relates to item 17 above	Aboriginal Participation	Subject to the terms of the funding agreement	"Program previously recorded, balance moved to line 17"	N/A
<b>Total</b>							<b>\$ 15,426,826</b>	<b>\$ 12,617,517</b>

**First Nations LP and OSLP - Government Funding**  
**(Current CWIP Reporting Period - July 1, 2020 to December 31, 2020)**

**Funding Received During the Current CWIP Reporting Period**

#	Source	Entity Receiving Funding	Type	Program	Activity	Prescribed Restrictions	Total New Funding Received from Source***	Funding Expended on Regulatory Assets within Watay LP**
30	Employment and Social Development Canada (ESDC)	Opiikapawiin Services LP (OSLP)	Federal	Aboriginal Skills & Partnership Fund (SPF) - Relates to item 17 above	Aboriginal Participation	Subject to the terms of the funding agreement	\$ -	\$ 301,582
	<b>Total</b>						\$ -	\$ 301,582

Summary of Funding Requests	Amount Expended on Regulatory Assets within Watay LP	
	Amount Approved	Amount Expended
Historical Funding Received for development deferral account	\$ 15,426,826	\$ 12,617,517
Funding Received in the Preconstruction Period	\$ -	\$ 301,582
<b>Funding Received in the Construction Period</b>	<b>\$ 15,426,826</b>	<b>\$ 12,919,099</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>\$ 15,426,826</b>	<b>\$ 12,919,099</b>

\*Third party funding received to fund start up and pre November 2010 costs have not been included as the corresponding costs have been denied pursuant to OEB Decision and Order EB-2016-0262

\*\* Funding expended on regulatory assets not recorded until invoiced to Wataynikaneyap Power LP.

\*\*\*Funding from this source was approved for \$350,000, however the amount was received subsequent to previous reporting date, January 20, 2020.

## 2.3 Funding Dates

**Wataynikaneyap Power LP (WPLP)**  
**First Nations Partnership - Government Funding Date Invoiced**  
**For the Reporting Period - July 1, 2020 to December 31, 2020**

**Funding Received and Invoiced Prior to this Reporting Period**

Date Invoiced	Amount
August 31, 2015	\$ 4,536,986
December 31, 2015	\$ 467,824
March 31, 2016	\$ 483,443
December 31, 2016	\$ 1,223,205
March 31, 2017	\$ 2,124,486
September 30, 2017	\$ 482,523
December 31, 2017	\$ 868,872
March 31, 2018	\$ 223,726
September 30, 2018	\$ 1,068,406
December 31, 2018	\$ 219,540
March 31, 2019	\$ 222,043
June 30, 2019	\$ 170,628
September 31, 2019	\$ 260,813
December 31, 2019	\$ 212,068
January 31, 2020	\$ 5,004
February 29, 2020	\$ 21,332
March 31, 2020	\$ 16,485
April 30, 2020	\$ 3,331
May 31, 2020	\$ 3,368
June 30, 2020	\$ 3,435
<b>Total</b>	<b>\$ 12,617,517</b>

**Funding Received and Invoiced During the Reporting Period**

Date Invoiced	Amount
July 31, 2020	\$ 5,629
August 31, 2020	\$ 72,921
September 30, 2020	\$ 143,746
October 31, 2020	\$ 23,162
November 30, 2020	\$ 50,194
December 31, 2020	\$ 5,930
<b>Total</b>	<b>\$ 301,582</b>

<b>Summary of Funding Received and Invoiced</b>	
Total Historical Funds Received and Invoiced	\$ 12,617,517
Current Period Funds Received and Invoiced	\$ 301,582
<b>Total Funds Received and Invoiced</b>	<b>\$ 12,919,099</b>
Total Funds per Government Funding Report	<b>\$ 12,919,099</b>

**Note:** Government funding is received by either FNLP or OSPL. The costs and related funding are not recorded in WPLP until invoiced by FNLP.

2.4 Carrying Charges

**Wataynikaneyap Power LP (WPLP)**  
**Account Interest**  
**For the Reporting Period - July 1, 2020 to December 31, 2020**

	<i>As at</i> <b><u>30-Jun-20</u></b>	<i>Additions</i> <b><u>07 2020 - 12 2020</u></b>	<i>As at</i> <b><u>31-Dec-20</u></b>
Carrying Charge Interest Income	\$8,232,717	\$4,792,629	\$13,025,346
Carrying Charge Interest Expense	(\$582,107)	\$0	(\$582,107)
Carrying Charges on Construction Costs	<b>\$7,650,610</b>	<b>\$4,792,629</b>	<b>\$12,443,239</b>

\*Carrying charges recorded up to March 31, 2019 were earned at the prescribed rates published by the OEB in accordance with the decision in EB-2016-0262. Carrying charges recorded subsequent to March 31, 2019 were earned at WPLP's actual cost of debt in accordance with the decision in EB-2019-0190.

## 3. Backup Power

### 3.1 Progress Update

In response to interrogatories in EB-2018-0190, WPLP informed the Board that as part of finalizing the definitive documents for the Government Funding Framework, Canada, Ontario, WPLP and First Nation LP agreed to enter into a Parallel Process Agreement which outlines the process for addressing backup power needs.<sup>6</sup> This Parallel Process Agreement was executed on July 3, 2019.

As contemplated in the Parallel Process Agreement, Indigenous Services Canada and First Nation LP formed a Backup Power Working Group (BPWG) to develop a Backup Power Plan as well as secure related funding and operational commitments for the Connecting Communities that can be implemented prior to grid connection.

The BPWG has developed and finalized the Backup Power Plan, the process for which has been as follows:

- In 2018, H1RCI developed a report outlining technical and environmental requirements as well as other considerations for backup power in the Connecting Communities that they currently service. Building on this work, H1RCI completed an annex to this report (Containerized DGS Annex) outlining requirements for them to provide backup power in the Connecting Communities currently serviced by Independent Power Authorities (IPA) as these communities require additional consideration. The H1RCI report annex was completed in December 2019.
- By the end of 2019, the BPWG completed the first of two rounds of engagement with the Connecting Communities, and involved other stakeholders in discussions, including Hydro One Remote Communities (H1RCI) and the Ministry of Energy, Northern Development and Mines.
- After receiving the updated H1RCI report, including the annex, the BPWG developed a draft Backup Power Plan, which was presented to the Connecting Communities during the second round of community engagement, which took place January – September 2020. The second round of community engagement was initially set to conclude in April 2020. However, the timeline was impacted by the COVID-19 pandemic and related community access & social restrictions. In addition, the draft Backup Power Plan was presented to other stakeholders including H1RCI and the Ministry of Energy, Northern Development and Mines for review and feedback.

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<sup>6</sup> EB-2018-0190; Response to Board Staff Supplemental IR 67

- The BPWG finalized the Backup Power Plan in late May 2020, subject to additional processes required to approve the implementation details and secure the necessary funding for each community as described below. The Backup Power Plan was circulated to the Connecting Communities and other key stakeholders in early June 2020, with the Connecting Communities being provided with both electronic copies and hardcopies of the plan.
- For 13 of the 16 Connecting Communities, the Backup Power Plan recommended repurposing the existing diesel generation (DGS) assets for use as backup power. For the remaining 3 communities which include North Caribou Lake First Nation, Pikangikum First Nation, and Wawakapewin First Nation, the Backup Power Plan recommended backup power at ISC-funded critical assets only.

A draft workplan/timeline was developed by ISC in August 2020 that provided a framework for the implementation of the recommended backup power option for each Connecting Community as outlined in the Backup Power Plan. The workplan/timeline was shared with the Connecting Communities, their Tribal Councils, and Opiikapawiin Services (on behalf of First Nation LP). In August 2020, ISC began working with the Connecting Communities whose backup power implementation projects were being initiated in fiscal year 2020/2021 and their Tribal Councils to develop and submit their respective backup power implementation funding applications. These communities include Wunnumin Lake First Nation, Pikangikum First Nation, Poplar Hill First Nation, and North Caribou Lake First Nation.

OSLP is currently working with ISC to finalize a workplan and budget related to monitoring implementation of the backup power plan on behalf of WPLP. This effort would also include supporting and engaging the Connecting Communities and their Tribal Councils in accordance with the mandate for backup power provided by the participating First Nation communities and backup power provisions outlined in the Parallel Process Agreement.

In January 2021, ISC began developing template funding applications for the Connecting Communities whose backup power implementation projects are being initiated in fiscal year 2021/2022. These communities include Kingfisher Lake First Nation, Muskrat Dam First Nation, Deer Lake First Nation, Sandy Lake First Nation, North Spirit Lake First Nation, and Keewaywin First Nation. The backup power implementation project in Wawakapewin First Nation may also be initiated in fiscal year 2021/2022 due the community's grid-connected target of August 2022.

The Backup Power Plan recommended backup power at ISC-funded critical assets only in Wawakapewin, of which there are none. When H1RCI was conducting reviews of the DGS assets in the Connecting Communities to assess their suitability for backup power, they were unable to visit Wawakapewin due to community access challenges. Consequently, H1RCI and the BPWG used information available at the time for backup power planning. As the backup power planning process progressed, it was found that the technical information related to the Wawakapewin DGS assets used to form the backup power recommendation outlined in the Backup Power Plan was outdated. The BPWG and H1RCI were able to obtain more current information related to the Wawakapewin DGS assets. Based on this new information, H1RCI communicated their willingness to

reassess the feasibility of repurposing and taking over operation of DGS assets in Wawakapewin for backup power. These discussions are ongoing between the involved parties.

Opiikapawiin Services, on behalf of First Nation LP, continues to support the Connecting Communities and their Tribal Councils with implementing backup power.



### 3.2 Key Issues and Risks

The issues and risks discussed in the table below are associated with the implementation of the Backup Power Plan as discussed in Section 3.1, as well as the timing for completing this plan in relation to the in-service dates for the Connecting Communities. The table will be updated in future reports to focus on any new issues and risks arising during the implementation of the plan.

<b>Development of Backup Power Plan – Issues and Risks</b>				
<i>Item</i>	<i>Description</i>	<i>Impact</i>	<i>Actions/Mitigation</i>	<i>Requirement to Remove Risk</i>
1.	<p><b>Connecting Community Support</b></p> <p>In order for backup power solutions to be accepted by each Connecting Community, there must be meaningful dialog and engagement with respect to any inputs, assumptions, standards and costs underpinning the H1RCI report, as well as any potential community impacts resulting from the proposed solution.</p>	<p>Failure to secure community acceptance of backup power solutions could delay or prevent finalization of Backup Power Implementation Funding Applications.</p>	<ul style="list-style-type: none"> <li>- Early and ongoing engagement with the Connecting Communities specifically focused on backup power requirements and solutions</li> <li>- First Nation LP is a party to the Parallel Process Agreement, and a member of the Backup Power Working Group</li> <li>- Terms of Reference for the Backup Power Working Group indicate intent to secure support letters from each Connecting Community</li> </ul>	<ul style="list-style-type: none"> <li>- Obtain a Band Council Resolution (BCR) supporting the Backup Power Plan from each Connecting Community</li> </ul>
2.	<p><b>Stakeholder Support &amp; Commitments</b></p> <p>In addition to Connecting Community support, the proposed backup power solution for each community must have commitments from relevant stakeholders with respect to any required upfront investments, ongoing operational and maintenance responsibilities, and cost responsibility for future operation and capital reinvestment.</p>	<p>Failure to secure funding and operational commitments for the preferred backup power solution could delay or prevent backup power implementation.</p>	<ul style="list-style-type: none"> <li>- Canada is a party to the Parallel Process Agreement, and ISC is a member of the BPWG</li> <li>- Early and ongoing discussion with H1RCI</li> <li>- H1RCI engaged to complete 2018 Backup Power Report and updated 2019 Backup Power Report for the working group</li> <li>- Participation in Backup Power Working Group meetings by H1RCI as required</li> <li>- Participation in Backup Power Implementation by H1RCI</li> </ul>	<ul style="list-style-type: none"> <li>- Contractual arrangements related to Backup Power</li> <li>- Funding agreements related to the implementation of backup power</li> <li>- Development of technical documents related to the implementation of backup power (i.e. technical or environmental scopes, etc.)</li> </ul>

Development of Backup Power Plan – Issues and Risks				
<i>Item</i>	<i>Description</i>	<i>Impact</i>	<i>Actions/Mitigation</i>	<i>Requirement to Remove Risk</i>
3.	<p><b>Timing</b>  Backup Power funding applications should be submitted with sufficient lead time to allow for system modifications and other work to be completed prior to the grid-connection date for each Connecting Community.</p>	<p>Delays in backup power funding application submissions could result in delays to implementation which, in turn could result in reliability impacts following connection</p>	<ul style="list-style-type: none"> <li>- Target date for finalizing the Backup Power Plan is more than one year ahead of the earliest in-service dates for community connections</li> <li>- Coordination of schedules between WPLP Project Management group and Backup Power Working Group to prioritize backup power solutions based on grid-connection timelines and lead times for backup power solutions</li> <li>- Backup Power meetings held regularly to discuss scheduling &amp; target dates</li> <li>- Tribal Councils and ISC, supported by OSLP, are providing support to the Connecting Communities with completion / submission of funding applications</li> </ul>	<ul style="list-style-type: none"> <li>- Submission and approval of each backup power funding application</li> </ul>
4.	<p><b>Implementation</b>  Implementation of backup power (legal agreements, environmental work, regulatory approvals, funding approvals, construction etc.) in time for grid-connection of each community</p>	<p>Implementation of backup power is not a requirement for grid-connection. However, delays in backup power implementation could result in service gaps.</p>	<ul style="list-style-type: none"> <li>- Coordination of schedules between WPLP Project Management and each backup power implementation project</li> <li>- Hold H1RCI accountable to their cost &amp; schedule estimates</li> <li>- Actively manage impacts from the COVID-19 pandemic and related community access restrictions / social restrictions</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of recommended backup power option in each of the Connecting Communities</li> </ul>

### 3.3 Backup Power Solutions and Forecasted Dates by Community

As discussed in Section 3.1, the backup power funding application process has only recently been initiated. Development of specific technical and/or environmental scopes of work, legal agreements/amendments, and other information will follow funding approval. Therefore, it is premature to provide details of the specific asset modifications or mitigation measures for schedule misalignment for each Connecting Community. In future reports, the table below will be populated with mitigation measures if required. WPLP confirms that the target dates for grid-connection indicated in the following table are aligned with its current COVID-adjusted EPC schedule.

<b>Backup Power Plan – Summary by Community</b>						
<i>Community</i>	<i>Backup Power Solution(s)</i>	<i>Capacity</i>	<i>Modifications Required</i>	<i>Target date for backup power</i>	<i>Target date for grid-connection*</i>	<i>Mitigation (if dates don't align)</i>
Kasabonika Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	May 2023	TBD
Kingfisher Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2021/2022	June 2022	TBD
Wapekeka	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	May 2023	TBD
Wawakapewin	ISC-funded critical asset backup only	ISC-funded critical assets only	TBD	N/A	September 2022	N/A
Wunnumin Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications and IPA modifications	Fiscal Year 2021/2022	July 2022	TBD
Bearskin Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	September 2022	TBD
North Caribou Lake	ISC-funded critical asset backup only	ISC-funded critical assets only	TBD	Fiscal Year 2020/2021	June 2022	N/A
Sachigo Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	May 2023	TBD
KI	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	May 2023	TBD
Muskrat Dam	Repurpose existing DGS	Community-wide backup power	Baseline modifications and IPA modifications	Fiscal Year 2022/2023	September 2022	TBD

<b>Backup Power Plan – Summary by Community</b>						
Pikangikum	ISC-funded critical asset backup only	ISC-funded critical assets only	Dedicated backup power sources at ISC-funded critical assets	Fiscal Year 2020/2021	Grid-connected December 2018	N/A
<i>Community</i>	<i>Backup Power Solution(s)</i>	<i>Capacity</i>	<i>Modifications Required</i>	<i>Target date for backup power</i>	<i>Target date for grid-connection*</i>	<i>Mitigation (if dates don't align)</i>
Deer Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2021/2022	May 2022	TBD
Keewaywin	Repurpose existing DGS	Community-wide backup power	Baseline modifications and IPA modifications	Fiscal Year 2022/2023	May 2023	TBD
North Spirit Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications and IPA modifications	Fiscal Year 2022/2023	October 2022	TBD
Poplar Hill	Repurpose existing DGS	Community-wide backup power	Baseline modifications and IPA modifications	Fiscal Year 2021/2022	April 2022	TBD
Sandy Lake	Repurpose existing DGS	Community-wide backup power	Baseline modifications	Fiscal Year 2022/2023	August 2022	TBD

\* Target dates for backup power may be adjusted in the event of significant changes to any target dates for grid-connection.