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**BY EMAIL AND RESS**

October 21, 2022

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Marconi,

**EB-2019-0151 – Waasigan Transmission Line Project ("WTL") – Bi-Annual Report**

On May 5, 2020, Hydro One Networks Inc. ("Hydro One") received a letter (the "Letter") from the Ontario Energy Board ("OEB") asking for Hydro One to furnish bi-annual Project reports regarding the development of the WTL Project. The Letter outlined the elements the OEB expected to be included in the reporting.

In accordance with the aforementioned letter, the attached report covers the period April 1, 2022, through September 30, 2022. Reports are to be submitted to the OEB within 15 business days of the close of the reporting period to which the WTL Project report pertains.

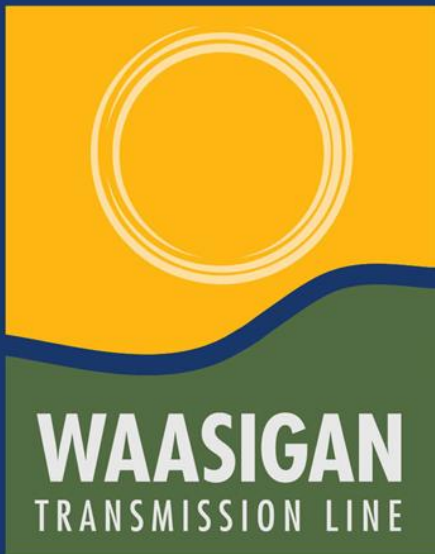
The WTL Project reporting will continue to be submitted to the OEB until such time a leave to construct application for the WTL Project is filed.

An electronic copy of the complete bi-annual report has been filed using the Board's Regulatory Electronic Submission System (RESS).

Sincerely,

A handwritten signature in black ink, appearing to read "Joanne Richardson", written in a cursive style.

Joanne Richardson



WAASIGAN TRANSMISSION LINE

Ontario Energy Board  
Progress Report

April 1, 2022 to September 30, 2022



## EXECUTIVE SUMMARY

The Waasigan Transmission Line Project (Project), formerly called the Northwest Bulk Transmission Line, is a priority project identified in the 2013 Long Term Energy Plan. On December 11, 2013, the Ontario Government issued an Order in Council directing Hydro One Networks Inc. (Hydro One) to undertake development activities and seek all necessary approvals for the Project. In October 2018 the Independent Electricity System Operator (IESO) confirmed that supply needs West of Thunder Bay and even North of Dryden will be met by electricity infrastructure. The IESO also recommended that Hydro One begin development work on Phases 1 and 2 of the Project as soon as possible to shorten the Project lead time required to have the assets ready to be in service to meet the electricity capacity needs when they materialize.

In a letter dated May 5, 2020, the Ontario Energy Board (OEB) requested that Hydro One prepare semi-annual reports to the OEB that update the OEB on the following matters: overall progress of the Project, Project cost, development work schedule, risks, and issues. Reports are to be filed in October for the reporting period of April 1 to September 30 and in April for the reporting period of October 1 to March 31.

On May 3, 2022, the IESO directed Hydro One to have Phase 1 in-service as close to the end of 2025 as possible. This IESO direction has provided greater definition to the Project and as such the Project milestone schedule has been adjusted accordingly. The Project continues to proceed with development work and remains on schedule. Ongoing consultation and engagement are occurring with Indigenous communities and organizations (19 Indigenous communities and 2 regional organizations), government agencies, the public and other interested parties. Work is being done to promote and advance Indigenous knowledge, training, and procurement in the development phase of the Project. Environmental field studies have been completed to support the progress towards the selection of a preferred route. Indigenous communities, municipal officials and staff, industry, businesses, and educational institutions continue to be consulted throughout all stages of the project. In addition, the Early Contractor Involvement Model has culminated with the issuance of a request for proposal to select an engineering, procurement and construction contractor to build the Project under a fixed price contract.

Hydro One's first semi-annual report issued on October 22, 2020, forecast development phase cost of \$69M. As of March 31, 2022, the overall forecast development phase cost is estimated to remain unchanged at \$69M. The Project is being monitored continually for risks and





risk mitigation is implemented as a matter of routine activity by the project team. Delays in regulatory approvals remain an active risk that Hydro One is working with regulators to manage. Should these risks have a greater impact on the Project they will be included in greater detail in subsequent progress reports.





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## Background

The Waasigan Project (Project), formerly called the Northwest Bulk Transmission Line, is a priority project identified in the 2013 Long Term Energy Plan. On December 11, 2013, the Ontario Government issued an Order in Council directing Hydro One to undertake development activities and seek all necessary approvals for the Project. In January 2014, the OEB amended Hydro One's transmission's licence to include the following condition:

*The Licensee shall develop and seek approvals for the expansion or reinforcement of a portion or portions of the Licencee's electricity transmission network in the area west of Thunder Bay (the "Northwest Bulk Transmission Line Project"). The scope and timing of the Northwest Bulk Transmission Line Project shall be in accordance with the recommendations of the Ontario Power Authority.*

In March 2015, the OEB approved Hydro One's request to establish the North West Bulk Transmission Line Deferral account (EB-2014-0311). Thereafter, Hydro One recorded in the account expenses related to preliminary engineering, design and environmental assessment work associated with the Project prior to the point from which the costs would qualify to be recorded in construction work-in-progress.

In December 2018, Hydro One requested to change the nature of the North West Bulk Transmission Line Deferral account, from a deferral account to a tracking account, and to change the name of the tracking account to the Waasigan Transmission Tracking Deferral Account. This request was a result of the October 2018 IESO letter that confirmed that supply needs West of Thunder Bay and North of Dryden will be met by electricity infrastructure. The IESO letter also recommended that Hydro One begin development work (preliminary design/engineering, cost estimation, public engagement/consultation, routing and siting and environmental assessment) on Phases 1 and 2 of the Project as soon as possible to shorten the Project lead time required to have the assets ready to be in-service to meet the electricity capacity needs when they materialize. The OEB approved these requests in September 2019.

In Hydro One's 2020-22, Transmission Rate Application<sup>1</sup>, the OEB approved the disposition of approximately \$877k<sup>2</sup> that was recorded in the North West Bulk Transmission Line Account. This was prior to receiving the OEB's approval to change the nature, and name, of the account to a tracking account, rather than a deferral account, as outlined above. Having satisfied the capitalisation criteria, as of January 1, 2020, project costs were recorded as construction-work-in-

<sup>1</sup> EB-2019-0082 – Decision and Order dated April 23, 2020, Pg. 159

<sup>2</sup> Balance as at December 31, 2018





progress ("CWIP") with the account recording what are known as 'tracking'<sup>3</sup> entries in the approved deferral account.

Having advanced development activities on the project, in particular, in the area of engagement with Indigenous communities, in alignment with Hydro One's strategy to remain as a trusted partner to Indigenous communities, the Waasigan Transmission Line will be owned by a partnership comprising Hydro One and nine Indigenous communities. The date of formation of this partnership is yet to be determined, however; in alignment with other Indigenous partnerships that Hydro One has formed, it is likely to be close to the in-service date of the transmission line.

In a letter dated May 5, 2020, the OEB requested that Hydro One prepare semi-annual reports to the OEB that updated on the following matters:

- Overall Project progress,
- Cost
- Development work schedule
- Risks and Issues Log

Reports are to be filed in October for the reporting period of April 1 to September 30 and in April for the reporting period of October 1 to March 31. In response to Hydro One's initial report, the OEB issued a letter dated December 1, 2020, requesting modifications to future reports. This report reflects all the aforementioned matters, including those modifications requested by the OEB in its December 1, 2020, letter, for the period of April 1, 2022, to September 30, 2022.

### Hydro One's OEB-Approved Affiliate Transmission Projects Regulatory Account

On October 7, 2021, the OEB approved Hydro One's application for an accounting order to establish a new regulatory account, the Affiliate Transmission Projects Account (ATP Account). The ATP Account will be used for a project where:

1. Hydro One has, or will, receive a letter from the IESO identifying transmission system needs, and/or an Order in Council or direction of the Minister of Energy (Energy) for the development or construction of a transmission line project and,

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<sup>3</sup> Entries that are made to track the level of costs spent on the project, however the costs are not balances that are expected to be disposed off in a rate filing, the costs are expected to be capitalised when the project is completed and added to the Rate Base of the entity who will ultimately own the assets.





2. All or part of the transmission line project is expected to be owned by and included in the rate base of a new partnership, as a licenced transmitter, such that costs included in the ATP Account Project will not form part of Hydro One's rate base.

Prior to the approval of the ATP Account Hydro One had OEB approval to track project costs in the Waasigan Transmission Tracking Deferral Account (WTTDA). Hydro One has transferred costs, expected to form the rate base of a new partnership, previously tracked in the WTTDA to the ATP Account.

## Overall Project Progress

In a letter dated May 3, 2022, the IESO directed Hydro One to have Phase 1 in-service (i.e. the 190 km double circuit 230 kV transmission line from Shuniah to Atikokan) as close to the end of 2025 as possible. The IESO stated that they would update their needs forecast for Phase 2 in the second quarter of 2023.

Between April 1, 2022, and September 30, 2022, Hydro One continued to proceed with development work on the Project, advancing environmental approvals, consultation, engineering, and design activities. The following summarises the work that was undertaken within the reporting period.

### Environmental Approvals

On March 8, 2022, Hydro One distributed the Notice of Commencement of the Environmental Assessment (Notice) to Indigenous communities, government officials/agencies, interested persons and organizations, signifying the start of the Environmental Assessment (EA), which will be executed as outlined in the approved amended Terms of Reference. Since that time, Hydro One has continued to engage with Indigenous communities, stakeholders, and members of the public.

A comprehensive environmental field survey program was undertaken which collected data along the alternative transmission line routes to help inform the evaluation and selection of a preferred route, as well as the assessment of its project footprint. The project team worked closely with Indigenous communities to ensure that their involvement in the field surveys was encouraged and that opportunities to share indigenous knowledge during field surveys was possible.







## Indigenous Engagement and Consultation

The Project team has worked with interested Indigenous communities to advance information sharing and engagement activities. The period between April to September 2022 has seen heightened engagement following the issuance of the Notice.

Key activities have included:

- **New Engagement Opportunities.** The focus for engagement during the spring and summer months was on field work plans and field work surveys. Engagement opportunities offered to Indigenous communities included, but were not limited to: In-person and virtual Community Open Houses; notices and posters; community presentations to Chief & Council and Environmental Protection Committees; Bi-Weekly Field Work Summary Reports.
- **Recruiting and Training of Field Survey Monitors.** A significant effort to recruit and train field survey monitors from Indigenous communities was implemented during this 6-month period.
- **Additional Information-Sharing Opportunities.** Workshops, presentations and information resources have also been developed and delivered to Indigenous communities on a variety of other EA-related topics, including, field survey programs, Indigenous Knowledge studies, archeology and cultural heritage studies. The Project team participated in several weekly and bi-weekly meeting tables with First Nations to ensure effective communication and feedback on the EA.
- **Community Meetings with Indigenous and Métis Communities.** Community meetings were hosted with Eagle Lake First Nation, Lac Seul First Nation, Nigigoonsiminikaaning First Nation, Seine River First Nation, Ojibway Nation of Wabigoon First Nation, Lac des Milles Lacs First Nation, as well as with the Métis Nation of Ontario (Region 1 and Region 2). Fort William First Nation hosted a joint meeting and signing ceremony in May 2022, with Hydro One and the Gwayakocchigewin Limited Partnership (GLP).
- **Development of a New Community Engagement Coordinator (CEC) Network.** Many Indigenous communities had hired new CECs. CECs continue to act as the local community liaison for the Project for each respective Nation. In the summer of 2022, a new CEC Network was founded. The CEC Network brings together CECs to share engagement best practices and to encourage professional development and other learning opportunities between communities. In August 2022, a CEC Training Session was hosted by Hydro One and the GLP in Thunder Bay.





- A Historic New Partnership with GLP. In May 2022, Hydro One signed an historic agreement with the eight First Nations, represented by the GLP consortium, for future economic participation. The agreement was celebrated with a signing ceremony and is an industry-leading agreement that provides First Nations in the area the opportunity to invest in up to 50 percent equity in the Waasigan Transmission Line.
- Continued Collaboration in Developing Indigenous Knowledge/Traditional Land and Resource Use (IK). Hydro One has continued to work with interested communities to support and develop frameworks for their IK studies. This includes having a dedicated advisor on the Project team to assist communities in advancing IK studies and ensuring that communities have capacity to retain the resources they need to undertake studies that they deem important and significant.

## Other Consultation

The Project team continued to engage the public, municipal officials, government agencies and elected officials across the period of this report. In May 2022, following the release of the Notice, in-person community open houses were held in Thunder Bay, Atikokan and Dryden. These were all well-attended events. In addition, a virtual community open house was held that was also well attended.

A survey was sent to members of the public to collect additional feedback. More than 140 residents had participated, and their responses are directly feeding into the route evaluation process, which supports our continued collaborative approach to public engagement.

Hydro One also participated at Northwestern Ontario Municipal Association (NOMA)'s annual meeting in April 2022. A presentation and discussion about the Waasigan Project was provided at that meeting.

## Engineering and Design

In support of the Project's development phase activities Hydro One undertook an extensive competitive procurement process in February 2021 to engage the services of two Engineering Procurement and Construction (EPC) contractors for an Early Contractor Involvement (ECI) procurement model. The ECI model has continued to:

- Provide necessary design and engineering information into the environmental assessment and Hydro One's overall development of the Project;





- Advance preliminary identification of Project specific Indigenous and non-Indigenous employment, procurement and training opportunities and requirements through extensive meetings with Indigenous communities and organizations; and
- Identify opportunities for innovation in design, materials, and procurement early in the Project to enable the development of the best project delivery solution.

Within the period of this report the ECI procurement model has culminated with the issuance of a Request for Proposal (RFP) to select an EPC contractor to build the Project under a fixed price contract. The results of the RFP are expected to be included in the next bi-annual Project report to the OEB.

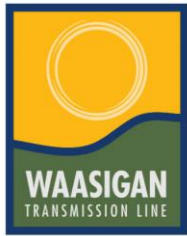
Hydro One continues to support the IESO with their bulk and regional planning activities. The Project team has submitted a System Impact Assessment (SIA) application to the IESO for the Project with preliminary findings expected to be available for inclusion in the next bi-annual Project report.

## Costs

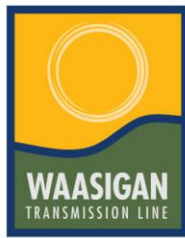
Hydro One's first semi-annual report issued on October 22, 2020, estimated development phase costs to be \$69M with an accuracy of Association for the Advancement of Cost Engineering (AACE) Class 3 (-10%/+15%). Table 1 below summarizes the Project development costs for the current reporting period. As of September 30, 2022, the overall forecast development phase cost is estimated to remain unchanged at \$69M. During the reporting period there were no material cost element variances realized.

In May 2022 the IESO provided greater definition to the Project by directing Hydro One to have Phase 1 of the Project in-service as close to the end of 2025 as possible. This greater definition has been factored into the current cost forecasts. The Project continues to be managed within the forecast development phase cost estimate of \$69M. Cost variances may occur as the Project and its development phase matures and as even greater definition is obtained on specific cost elements. This may require redistribution of costs within the overall development budget of \$69M.



Table 1: *Project Development Costs*

	<b>Actuals Spent</b>		<b>C</b> <b>Budget per</b> <b>Oct 22, 2020</b> <b>Report</b> <b>(Millions)</b>	<b>Forecast Budget Variance</b>					<b>I</b> <b>Reasons</b> <b>for</b> <b>Change</b>
	<b>A</b> <b>Spent this</b> <b>Reporting</b> <b>Period</b> <b>(Millions)</b>	<b>B</b> <b>Total Spent</b> <b>to Date</b> <b>(Millions)</b>		<b>D</b> <b>Forecast</b> <b>Budget</b> <b>Change from</b> <b>Last Report</b> <b>(Millions)</b>	<b>E</b> <b>Forecast</b> <b>Budget</b> <b>Change from</b> <b>Last Report</b> <b>(%)</b>	<b>F</b> <b>Revised</b> <b>Total</b> <b>Budget</b> <b>(Millions)</b>	<b>G</b> <b>G = F - B</b> <b>Budget</b> <b>Remaining</b> <b>(Millions)</b>	<b>H</b> <b>H = G/F * 100</b> <b>Budget</b> <b>Remaining</b> <b>(%)</b>	
<b>Real Estate</b>	\$0.00	\$0.00	\$2.00	\$0.0	0%	\$2.0	\$2.0	100%	
<b>Engineering and Design</b>	\$0.90	\$7.00	\$2.00	\$0.0	0%	\$7.5	\$0.5	7%	
<b>Environmental Approvals</b>	\$3.70	\$8.20	\$15.50	\$0.0	0%	\$15.5	\$7.3	47%	
<b>Indigenous Consultation</b>	\$3.90	\$9.10	\$23.00	\$0.0	0%	\$23.0	\$13.9	60%	
<b>Project Management</b>	\$0.30	\$1.40	\$4.50	\$0.0	0%	\$3.0	\$1.6	53%	
<b>Contingency</b>	\$0.00	\$0.00	\$4.00	\$0.0	0%	\$4.0	\$4.0	100%	
<b>Other Consultation</b>	\$0.20	\$1.40	\$3.00	\$0.0	0%	\$3.0	\$1.6	53%	
<b>Interest and Overhead</b>	\$1.30	\$3.80	\$15.00	\$0.0	0%	\$11.0	\$7.2	65%	
<b>Total</b>	\$10.30	\$30.90	\$69.00	\$0.0	0%	\$69.0	\$38.1	55%	



## Schedule

In January 2014, Hydro One's transmission licence was amended by the OEB ordering Hydro One to work with the IESO to establish the scope and timing of the Project, and to develop and seek appropriate approvals. In 2016 and 2017, Energy and IESO reassessed the scope and schedule of the Project and reconfirmed the need for the Project to support growth and maintain reliable electricity supply in northwestern Ontario. It was determined that the Project will proceed in phases with development work for the first two phases to proceed at the same time. The phases are as follows:

- Phase One – a line from Thunder Bay to Atikokan.
- Phase Two – a line from Atikokan to Dryden; and,
- Phase Three – a line from Dryden to the Manitoba border, to enable the better integration of provincial electricity grids.

Following this, the IESO issued a letter to Hydro One dated October 24, 2018, which provided an update on the need and scope for the Project, and a recommendation for Hydro One to proceed with development work on Phases One and Two of the Project based on the timing of projected supply capacity and needs and the risk of them materializing earlier.

Since 2018, the IESO has updated the forecast and subsequently refreshed the supply capacity need dates. In a letter dated May 3, 2022<sup>4</sup>, the IESO directed Hydro One to have Phase One in-service as close to the end of 2025 as possible. In recognizing the risks associated with demand forecast uncertainty and the potential for large industrial projects to add significant load to the region utilizing the remaining capacity margin sooner than anticipated the IESO committed to updating their forecast for Phase Two in the second quarter of 2022.

In consideration of the above, Hydro One has adjusted the development schedule in order to place Phase One in-service as close to the end of 2025 as possible. Should any change to this schedule, including an in-service date for Phase 2, materialize it will be included in subsequent bi-annual Project reports. Table 2, below, presents the updated key milestones and schedule for completing development phase activities.

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<sup>4</sup> Provided at Attachment 1



Table 2: *Project Schedule*

<b>Milestones</b>	<b>Schedule</b>	<b>Completed</b>	<b>Adjusted to</b>
<b>Notice of Commencement of Terms of Reference</b>	April 24, 2019	April 24, 2019	
<b>Development of route alternatives and data collection</b>	Spring 2019 – Spring 2020	June 2020	
<b>Draft Terms of Reference external review</b>	June 2020	June 2020	
<b>Proposed Terms of Reference submitted to the Ministry of the Environment, Conservation and Parks</b>	September/ October 2020	October 16, 2020	
<b>Ministry of the Environment, Conservation and Parks review and approval of the Terms of Reference</b>	December 2020/January 2021	February 18, 2022	
<b>Notice of Commencement of the Environmental Assessment</b>	January 1, 2021	March 9, 2022	
<b>Data collection on the Environmental Assessment study areas</b>	2021 – 2022	May to October 2022	
<b>Evaluation of alternative routes and determination of a preferred route.</b>	November 2020 to May 2021		Q4 2022
<b>Consultation on the selection of the preferred route</b>	2021 – 2022		Q4 2022 – Q1 2023





<b>Milestones</b>	<b>Schedule</b>	<b>Completed</b>	<b>Adjusted to</b>
<b>Preliminary design and engineering</b>	2021 - 2022		2022-2023
<b>Draft Environmental Assessment review</b>	2022		Q1 2023
<b>Cost Estimation</b>	2022		Q2 2023
<b>Leave to Construct (S92) application submission*</b>	2022		Q2 2023
<b>Decision on Environmental Assessment by Ministry of the Environment, Conservation and Parks</b>	2023/2024		Q1 2024
<b>Complete Development Work</b>	By end of 2024		Q2 2024
<b>Leave to Construct (S92) approval</b>	2023/2024		End Q4 2023
<b>IESO Required In-Service Date for Phase 1</b>			Q4 2025

The Project team completed environmental field studies on the alternative routes. These studies are pertinent in supporting the selection of the preferred route of the Project. A selection of a preferred route is expected to materialize in the first quarter of 2023. Preliminary design and engineering will continue to provide support into development phase activities. Consultation and engagement on the Project continues, including, Project-specific capacity building (training, funding, procurement, and employment) for Indigenous communities, information sharing, IK gathering and participation in development activities.

During this reporting period the IESO directed Hydro One to have in-service Phase 1 of the Project as close to the end of 2025 as possible. This provided greater definition to the Project, thus the Project schedule milestones have been adjusted to reflect the dates necessary to achieve the in-service date for Phase 1.

The Project is on schedule to complete development work by the second quarter of 2024.





## Risks and Issues Log

The Project is being monitored continually for risks and risk mitigation implemented as a matter of routine activity by the Project team. Risks are formally re-evaluated on a quarterly basis. Table 3, below, lists major development risks actively being managed. Project execution risks will be identified at a later date and will be included in Hydro One's Leave to Construct (Section 92) application that will be submitted to the OEB.

Energy issued an initial Duty to Consult (DTC) letter to Hydro One in October 2018, which was revised in April 2020. Hydro One and Energy have a Memorandum of Understanding (MOU) that outlines the DTC roles and responsibilities of the two parties regarding major projects. Hydro One meets monthly with Energy and other agencies to provide Indigenous consultation and engagement updates, to keep the Crown apprised of any potential challenges in the consultation process and to discuss how Energy and Hydro One can work together to find solutions to those challenges. At the height of the COVID-19 pandemic it provided unprecedented challenges across the industry, not just for Hydro One, in the development of infrastructure projects. The timely adaptation from the more traditional in-person to virtual engagement has proven to be effective. Hydro One has developed and successfully implemented a wide variety of versatile virtual tools including the use of telepresence meetings, webinars, virtual town-halls and the use of USB storage sticks and tablets to distribute project materials safely. With increasing vaccination rates and the implementation of effective health and safety protocols a return to in-person engagement with a need to continue to provide virtual tools has become the new practice. Health and safety are a priority to Hydro One and our project activities will continue to be monitored and adapted, however; at this time the COVID-19-discrete risk has been retired.

As the Project matures government agencies such as Energy, MECP, Ministry of Northern Development, Mines, Natural Resources and Forestry and other government agencies may influence the schedule and scope of the Project. Hydro One meets regularly with these agencies and provides information to keep them apprised of Project progress and to work with them to manage expectations.





Table 3: *Major Risks and Issues*

<b>Risk Description</b>	<b>Likelihood of Occurrence</b>	<b>Impact of Risk on the Project</b>	<b>Mitigation</b>
<b>Consultation</b>	realized; Duty to Consult list has changed	Scope, Schedule and cost	Risk remains that the scope of Indigenous and non-Indigenous consultation could change as the Project matures. Hydro One meets regularly with Energy and MECP.
<b>Health &amp; Safety</b>	realized; Covid-19	Retired	Alternative engagement activities, sensitive to health and safety, have been implemented and have proven to be effective. The risk has been retired at this time. Monitoring will continue.
<b>Regulatory approvals</b>	realized; delay to Terms of Reference approval	Scope, Schedule and cost	Decisions by various Regulators may result in changes to scope, schedule and cost of the Project. This includes delays to the approval of the Terms of Reference for the environmental assessment by the MECP, delays in the review and comment on environmental field study work plans by MECP Species at Risk Branch and Ministry of Northern Development, Mines, Natural Resources and Forestry. Mitigation involves meeting with Regulators to discuss and address issues and providing sufficient time and opportunity for Regulators to undertake their reviews, comments and approvals.





<p><b>Real Estate</b></p>	<p>moderate</p>	<p>Schedule and Cost</p>	<p>With the area of the project expecting to be primarily Crown land there is a limited amount of information readily available about underlying rights holders (i.e.; mining leases). Significant effort and interaction will be needed with government agencies and industry leaders to identify the underlying rights holders.</p>
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## **Attachment #1**

### **IESO Letter to Hydro One Re: Scope of Timing and Construction**



May 3, 2022

Mr. Robert Reinmuller  
Director, Transmission Planning  
Hydro One Inc.  
483 Bay Street, 13<sup>th</sup> Floor, North Tower  
Toronto, Ontario M5G 2P5

Dear Robert:

As per the Ontario Government's December 2013 Order in Council ("OIC") requiring Hydro One to develop and seek approvals for the Northwest Bulk Transmission Line (the "NWBL") according to the scope and timing recommended by the Independent Electricity System Operator ("IESO"), the IESO has updated its electrical demand forecast and the resulting needs for additional supply capacity in the area west of Thunder Bay (the "Region"). The purpose of this letter is to describe the updated supply capacity needs and the IESO's recommended high-level scope and timing for the construction of the line.

## Background

The NWBL was identified in the Government's 2013 and 2017 Long Term Energy Plans (the "LTEPs") as a priority project in order to:

- increase electricity supply to the region west of Thunder Bay;
- provide a means for new customers and growing loads to be served with clean and renewable sources that comprise Ontario's supply mix; and,
- enhance the potential for development and connection of renewable energy facilities.

The LTEPs divided the NWBL into three phases as shown in Figure 1:

- Phase 1 - a line from Thunder Bay to Atikokan;
- Phase 2 - a line from Atikokan to Dryden; and,
- Phase 3 - a line from Dryden to the Manitoba border through Kenora.

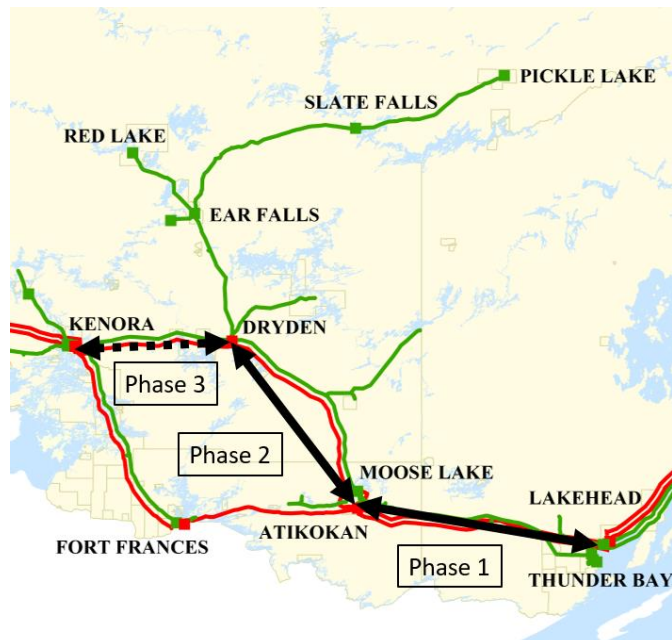


Figure 1 – West of Thunder Bay Area and NWBL Phases

Following the 2013 LTEP, the Ontario Government issued an OIC, also in 2013, that amended Hydro One's license to develop and seek approval for the NWBL according to the scope and timing specified by the IESO.

In 2018, the IESO recommended that Hydro One commence development work (i.e., complete the Environmental Assessment) for Phase 1 and Phase 2 of the NWBL, between Thunder Bay and Atikokan, and Atikokan and Dryden, based on the timing of projected supply capacity needs and the risk of them materializing earlier. The IESO committed to ongoing monitoring to determine when construction of both Phase 1 and Phase 2 should begin and to confirm that they are the best course of action to meet the needs. Hydro One subsequently named Phase 1 and Phase 2 of the NWBL the Waasigan Transmission Line, hereafter called the "Project".

### Scope and Timing for Construction

Since 2018, the IESO has updated the forecast in the Region and subsequently refreshed the supply capacity need dates. Figure 2 below shows the updated electrical demand forecast for the Region. Mining developments continue to be the main driver for growth. The demand forecast underpinning the latest update on the need for the Project includes mining growth assumptions informed by outreach and engagement with Indigenous and municipal communities and sector stakeholders as part of the ongoing Northwest Integrated Regional Resource Plan (IRRP). The update shows that under the reference demand forecast, Phase 1 is needed from 2025 onwards and Phase 2 is needed from 2026 to 2027 and uncertain thereafter. Although the need for Phase 2 is intermittent, the IESO recognizes the risks associated with demand forecast uncertainty and the potential for large industrial projects to add significant load to the Region utilizing the remaining capacity margin sooner than anticipated.

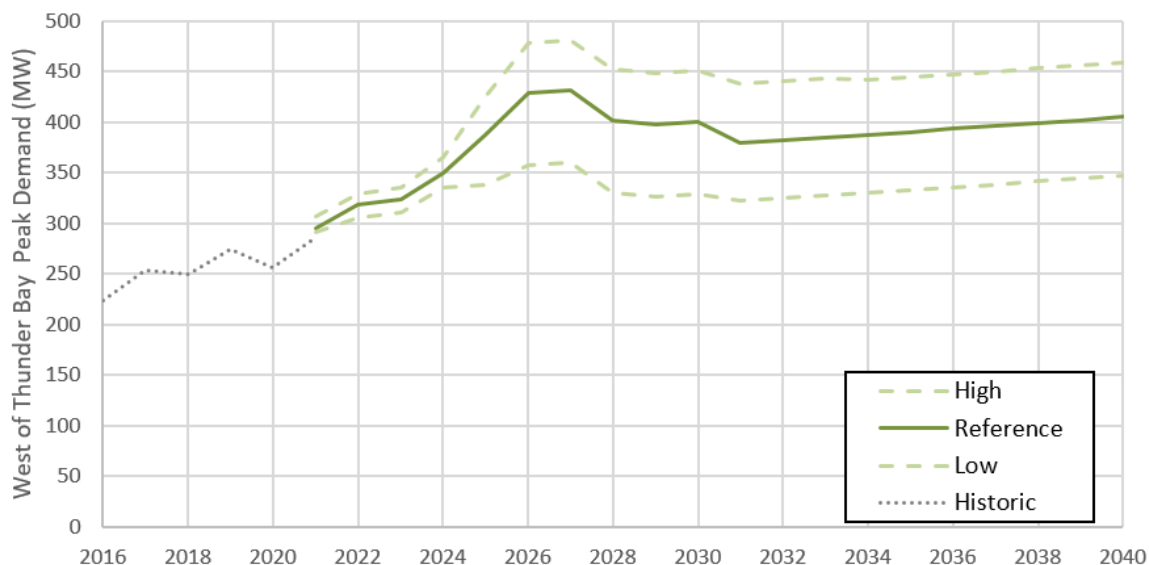


Figure 2 – West of Thunder Bay Electrical Demand Forecast

Given the timing of the needs, the range of possible growth scenarios, and the lead time for implementing solutions, the IESO recommends a staged approach for construction of the Project. Hydro One should construct the Project to meet near-term system capacity needs with Phase 1 being placed in-service as close to the end of 2025 as possible. Phase 1 continues to be the most cost effective option to meet the Region's supply capacity needs. The IESO will continue to monitor developments in the Region and provide the targeted in-service date for Phase 2; the IESO will provide an update on the timing of the need for Phase 2 at the beginning of Q2 2023, recognizing the Project lead-time. Hydro One will be required to manage the reasonable execution timing and staging of the Project for alignment with the in-service dates indicated by the IESO.

The IESO will provide support to Hydro One in obtaining Environmental Assessment and Ontario Energy Board approvals for the Project, as required.

Sincerely,

Ahmed Maria  
Director, Transmission Planning  
Independent Electricity System Operator

cc: Mr. Chuck Farmer, IESO  
Mr. Devon Huber, IESO