

**UPPER CANADA TRANSMISSION, INC.  
(d/b/a NextBridge Infrastructure)**

**East-West Tie Line  
Quarterly Construction Progress Report**

**Reporting Period: October 1, 2022 to December 31, 2022**

**Date Submitted: January 20, 2023**

In its Decision and Order dated August 7, 2013 (Designation Decision), the Ontario Energy Board (OEB or Board) named Upper Canada Transmission, Inc. (UCT), doing business as NextBridge Infrastructure (NextBridge), as the designated transmitter for the development of the East-West Tie transmission line (EWT Project or Project).

On July 31, 2017, NextBridge submitted an application for leave to construct (LTC) the EWT Project, pursuant to section 92 of the Ontario Energy Board Act. On February 11, 2019, the OEB issued a Decision and Order approving the LTC application and amending the conditions of UCT's Electricity Transmission License authorizing NextBridge to proceed to the construction, expansion, or reinforcement of the transmission system for the EWT Project, pursuant to a directive from the OEB issued by the Minister of Energy, Northern Development and Mines and approved by Order in Council 52/2019 (OIC), dated January 30, 2019.

On February 11, 2019, the OEB also amended NextBridge's Electricity Transmission License to include conditions requiring NextBridge to report to the Independent Electricity System Operator on the progress, timeliness, and cost-effectiveness of the EWT Project and provide such information that the OEB may from time-to-time require.

On July 29, 2019, the OEB issued a letter outlining NextBridge's reporting requirements pursuant to sections 14.1 and 13.3 of its Electricity Transmission License.

In accordance with the OEB's letter dated July 29, 2019, NextBridge is required to report quarterly on the 15th business day of each January, April, July, and October. NextBridge will continue to file such quarterly reports until the EWT Project is in-service and land restoration activities have been completed.

On June 6, 2022, the OEB issued a letter confirming that NextBridge will continue to file quarterly reports until all land restoration activities are complete. The OEB also directed NextBridge to include in its last quarterly report "a table using the same cost categories as all other quarterly reports, that sets out the final construction costs of the East-West Tie Project."

Land restoration activities are complete, per Table B below. Therefore, NextBridge requests that this quarterly report will be its last.

NextBridge is reconciling final project costs. NextBridge believes all project costs are now known, contracted and/or incurred – therefore the cost update provided in this report is expected to be complete and materially aligned with what NextBridge will file for disposition of in 2023 for COVID-19 and CCVA costs.

Since the EWT Project is in service, this report contains the following sections:

|          |  |  |
|----------|--|--|
| <b>1</b> | <b>Summary of the EWT Project Progress</b> | <p>A detailed summary of the status of the EWT Project, including work completed during the Reporting Period, overall progress, and cost updates. This section includes:</p> <ul style="list-style-type: none"> <li>• Table of Key Project Status; and</li> <li>• Summary of Activities within the Reporting Period.</li> </ul>  |
| <b>2</b> | <b>Construction Cost Update</b>            | <p>Period-specific cost summaries providing details for each cost category in NextBridge’s Project cost budget, including:</p> <ul style="list-style-type: none"> <li>• Actual spend;</li> <li>• Percentage of budgeted costs spent to date;</li> <li>• Updated forecast; and</li> <li>• Material forecast variance (if applicable).</li> </ul> <p>This section also includes a Project Cost Update Summary and associated rationale for forecast variance and associated mitigating measures for negative forecast variances.</p> |

**1. Summary of the EWT Project Progress During Reporting Period**

**A. Table of Key Project Statuses**

| Key Status                           | Summary  |
|--------------------------------------|--|
| <p><b>Reclamation Activities</b></p> | <p>Reclamation activities continued in all work fronts (WFs) is officially complete. On WF 11, NextBridge continues to engage with Michipicoten First Nation (MFN) on any of their concerns.</p> <p>All construction activities on the project are now complete.</p> <p>All project work camps are now closed and have been decommissioned.</p>  |
| <p><b>Costs</b></p>                  | <p>NextBridge continues to maintain focus on the budget.</p> <p>NextBridge has worked with the General Contractor (Valard) to quantify the costs related to COVID-19 and other unforeseen construction costs. Details of these costs were reported in the prior quarterly report.</p>  |
| <p><b>Indigenous Activities</b></p>  | <p>Engagement Continuing.</p> <p>NextBridge continues to engage with the 18 identified Indigenous communities in the Project area.</p> <p>The Indigenous Facilitator Program continued during 3Q 2022 and was completed on December 31, 2022.</p> <p>NextBridge continues to be engaged with the six proximate Bamkushwada Limited Partnership (BLP) communities in many aspects of the Project and the reclamation schedule. NextBridge and BLP are in advanced negotiations to formalize BLP's buy-in to the project; expected to be complete by end of first quarter 2023.</p> <p>Additional information on engagement can be found in Section 1. C. below.</p> <p>Engagement is ongoing with MFN and BNFN regarding the Caribou Transfer Strategy.</p> |

| Key Status                      | Summary   |
|---------------------------------|---|
| <p><b>HONI Coordination</b></p> | <p>NextBridge continued engagement and coordination activities with Hydro One Networks, Inc. (HONI) and executed the HONI/Supercom Operations and Maintenance Service Level Agreement.</p> <p>Additional information on coordination with HONI can be found in Section 1. C. below.</p> |

**B. Table of Activities In Work Fronts for the Reporting Period**

| <b>Work Front</b> | <b>Reclamation Work</b>     |
|-------------------|-----------------------------|
| <b>1</b>          | 100% reclamation completed. |
| <b>2</b>          | 100% reclamation completed. |
| <b>3</b>          | 100% reclamation completed. |
| <b>4</b>          | 100% reclamation completed. |
| <b>5</b>          | 100% reclamation completed. |
| <b>6</b>          | 100% reclamation completed. |
| <b>7</b>          | 100% reclamation completed. |
| <b>8</b>          | 100% reclamation completed. |
| <b>9</b>          | 100% reclamation completed. |
| <b>10</b>         | 100% reclamation completed. |
| <b>11</b>         | 100% reclamation completed. |

## **C. Summary of Activities Within Reporting Period**

### **Environment**

#### Species at Risk (SAR)

- Received Overall Benefits Permit (OBP) for SAR from the Ministry of the Environment, Conservation, and Parks (MECP). The OBP included multiple conditions requiring actions to avoid impact to SAR and mitigate for impacts to habitat.
- Implementation of bat habitat restoration effort with Nature Conservancy of Canada began in April 2022 and is ongoing.
- On June 23, 2022, NextBridge received an amendment to the OBP, adding BNFN as a required community for consultation for the development and implementation of the Caribou Transfer Strategy (CTS). The amendment also provided further clarity regarding the Caribou Capture Area.
- As a condition of the OBP, NextBridge filed a CTS on March 31, 2021 and will continue to develop this strategy in consultation with the MECP, Ministry of Natural Resources and Forestry (MNR), and Indigenous communities, including MFN and BNFN.
- NextBridge received comments from MECP on the CTS on August 19, 2022. A revised version of the CTS was submitted to MECP, MNR, BNFN, and MFN on October 4, 2022. Ultimately, the CTS will need to balance the regulatory and biological requirements of the government with the biological and spiritual beliefs of Indigenous communities (including MFN and BNFN). In the revised version submitted in October 2022, NextBridge highlighted MFN and BNFN concerns that conflict with the permit conditions and transfer guidance requirements. NextBridge seeks further guidance from MECP and MNR to address these concerns.
- NextBridge received comments from MECP on Version 3 of the CTS on November 7, 2022. MECP's comments provided further direction on transfer protocol and clarity on the capture area. Version 4 of the CTS was submitted to MECP, MNR, BNFN, and MFN on November 8, 2022.
- MNR Wildlife Animal Care Committee and MECP approvals of V4 of the CTS were received on November 16 and December 16, 2022, respectively. NextBridge is pursuing subsequent approvals from MNR and MECP Ontario Parks needed for the caribou transfer, as well as coordinating survey logistics and permission from the Elizabeth Elliott Foundation to access the capture area on Caribou Island. Further diligence and survey work is required to determine the status of wolves at the Transfer Area (Michipicoten Island).

## Permitting Requirements

- Continued consultation with MECP, MNRF, Fisheries and Oceans Canada, Canadian Wildlife Service, and other agencies regarding the Environmental Assessment (EA) requirements and conditions.

## EA Conditions

- Internal and contractor resources are ensuring continuous compliance with the conditions of the EA Approval using a comprehensive Construction Compliance Matrix for tracking purposes.

## Environment-Related Indigenous Discussions

- Continued solicitation and incorporation of feedback and Traditional Ecologic Knowledge information provided by Indigenous communities and agencies.
- Responded to inquiries received from Indigenous communities with respect to the Project.

## Indigenous Facilitator Program (IFP)

- Indigenous Facilitators have been present along the right-of-way (ROW) from the commencement of construction until completion of reclamation, except for the temporary suspension of the Indigenous Facilitator Program on March 24, 2020.
- The IFP was completed on December 31, 2022 when the project reclaim was completed.

## Land

### Privately Held Land

- All land agreements are now complete/acquired.
- Remaining Merchantable timber and damage settlements were concluded throughout reclamation activities.

### Government Land and Permits

- NextBridge continues to follow up with the MNRF to support the use of certain lands administered by Transport Canada and held by Her Majesty the Queen, in the Right of Canada to the Province of Ontario.
- NextBridge received confirmation that all sites have officially been added to the multi-site Land Use Permit.

## Regulatory

- NextBridge received its 2023 rate adjustment under the Custom IR plan on November 24, 2022. In this Decision and Order, the OEB approved changes to the transmission revenue requirement of UCT, operating as NextBridge, effective January 1, 2023..

## Indigenous Engagement

### Continued Engagement Activities

- NextBridge has responded to inquiries and questions received from Indigenous communities with respect to the Project.
- Ongoing engagement has promoted open dialogue with communities.
- NextBridge is engaged with interested communities consulting on Project permitting, construction progress, and other topics that arise during this phase of the Project.

### MFN and BNFN Engagement regarding the CTS

- NextBridge has been engaging with MFN, BNFN, the MECP, and the MNRF on the requirements associated with the OBP CTS.

## Community/Municipal Engagement

### Continued Engagement Activities

- The Project's Facebook Group membership declined from a high of 176 to 168 members as of the end of Reporting Period.
- The Project's email address and hotline is monitored for inquiries, and all inquiries have been answered. Increase in activity on both communication channels resulting from erroneous inquiries from shareholders in a company called Next Bridge Hydrocarbons.
- The Project website will have been updated by January 23, 2023, to reflect that construction is complete and the project is operational.

### Complaint Resolution Process

- No formal complaints were submitted during this Reporting Period.

## Engineering and Construction

All Reclamation activities were completed in all WFs during 4Q 2022.

Water course crossings and temporary access roads were removed. ROW areas, including the temporary access roads, were de compacted to allow natural vegetation to regrow.



## **Coordination Efforts with HONI**

Overview of Key Negotiations, Agreements, and Coordination Efforts Between NextBridge and HONI.

- NextBridge and HONI/Supercom executed the SLA on July 26, 2022. HONI/Supercom created a new entity called Maagi to execute the agreement.
- Once all redactions are agreed on and completed, NextBridge will file the SLA with the OEB in accordance with the Board's Practice Direction on Confidential Filings.

## 2. Construction Schedule Update

### A. Project Map



### 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, with the exception of COVID-19 and CCVA and COVID costs that were more fully described in the Q3-2022 report, section 3.D. filed on Oct. 22, 2022. 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.

#### B. Project Cost Update Table

| Cost Categories for NextBridge's Construction Costs Reporting | Actuals Spent                          |                                | Budget                                |                           |                                 | Forecast Budget Variance          |                               |                           |                                  |
|---|--|--------------------------------|---------------------------------------|---------------------------|---------------------------------|-----------------------------------|-------------------------------|---------------------------|----------------------------------|
|   | A<br>Spent This Reporting Period<br>\$ | B<br>Total Spent To Date<br>\$ | C<br>Budget Per LTC Application<br>\$ | D=C-B<br>Budget Remaining | E=D/C*100<br>Budget Remaining % | F<br>Forecast Budget Change<br>\$ | G<br>Forecast Budget Change % | H<br>Revised Total Budget | Reasons For Change               |
| <b>Engineering &amp; Construction</b>                         | <b>2,550,550</b>                       | <b>613,780,372</b>             | <b>572,761,388</b>                    | <b>(41,018,984)</b>       | <b>-7%</b>                      | <b>41,505,901</b>                 | <b>7%</b>                     | <b>614,267,289</b>        | Revised based on in-service date |
| 1 Engineering, Design and Procurement                         | 215,758                                | 9,809,837                      | 19,342,245                            | 9,532,408                 | 49%                             | (9,335,386)                       | -48%                          | 10,006,859                |                                  |
| 2 Materials and Equipment                                     | (296)                                  | 68,630,749                     | 89,408,231                            | 20,777,482                | 23%                             | (20,739,013)                      | -23%                          | 68,669,218                |                                  |
| 8 Site Clearing, Access                                       | 2,281,121                              | 137,026,370                    | 107,463,339                           | (29,563,031)              | -28%                            | 29,769,412                        | 28%                           | 137,232,751               |                                  |
| 9 Construction  | 53,968                                 | 398,313,415                    | 356,547,573                           | (41,765,842)              | -12%                            | 41,810,888                        | 12%                           | 398,358,461               |                                  |
| <b>Environmental &amp; Remediation Activities</b>             | <b>383,230</b>                         | <b>30,332,108</b>              | <b>26,929,260</b>                     | <b>(3,402,848)</b>        | <b>-13%</b>                     | <b>4,392,005</b>                  | <b>16%</b>                    | <b>31,321,265</b>         | Revised based on in-service date |
| 3 Environmental and Regulatory Approvals                      | 26,779                                 | 19,116,640                     | 13,030,561                            | (6,086,079)               | -47%                            | 6,087,566                         | 47%                           | 19,118,127                |                                  |
| 10 Site Remediation   | 356,451                                | 11,215,469                     | 13,898,699                            | 2,683,230                 | 19%                             | (1,695,561)                       | -12%                          | 12,203,138                |                                  |
| <b>Indigenous Activities</b>                                  | <b>182,613</b>                         | <b>23,694,591</b>              | <b>20,211,000</b>                     | <b>(3,483,591)</b>        | <b>-17%</b>                     | <b>3,692,555</b>                  | <b>18%</b>                    | <b>23,903,555</b>         | Revised based on in-service date |
| 5 Indigenous Economic Participation                           | 239,040                                | 10,060,786                     | 7,000,000                             | (3,060,786)               | -44%                            | 3,080,452                         | 44%                           | 10,080,452                |                                  |
| 6 Indigenous Consultation                                     | (56,426)                               | 13,633,805                     | 13,211,000                            | (422,805)                 | -3%                             | 612,103                           | 5%                            | 13,823,103                |                                  |
| 4 Land Rights (excludes Aboriginal)                           | 815,414                                | 22,790,528                     | 23,830,512                            | 1,039,984                 | 4%                              | (500,000)                         | -2%                           | 23,330,512                |                                  |
| 7 Other Consultation  | 26,100                                 | 1,631,940                      | 2,530,194                             | 898,254                   | 36%                             | (816,000)                         | -32%                          | 1,714,194                 |                                  |
| 11 Contingency  | -                                      | -                              | 49,399,445                            | 49,399,445                | 100%                            | (49,399,445)                      | -100%                         | -                         | Allocation of Contingency        |
| 12 Regulatory   | (18,888)                               | 5,552,053                      | 5,405,078                             | (146,975)                 | -3%                             | 166,000                           | 3%                            | 5,571,078                 |                                  |
| 13 EWT Management   | 45,984                                 | 5,694,111                      | 4,900,644                             | (793,467)                 | -16%                            | 900,000                           | 18%                           | 5,800,644                 |                                  |
| <b>Total Project Spend</b>                                    | <b>3,985,004</b>                       | <b>703,475,702</b>             | <b>705,967,521</b>                    | <b>2,491,819</b>          | <b>0%</b>                       | <b>(58,984)</b>                   | <b>0%</b>                     | <b>705,908,537</b>        |                                  |
| 14 Interest During Construction (IDC)                         | -                                      | 31,289,208                     | 31,003,000                            | (286,208)                 | -1%                             | 286,208                           | 1%                            | 31,289,208                |                                  |
| <b>Total Construction Costs<sup>1,2,3,4</sup></b>             | <b>3,985,004</b>                       | <b>734,764,910</b>             | <b>736,970,521</b>                    | <b>2,205,611</b>          | <b>0%</b>                       | <b>227,224</b>                    | <b>0%</b>                     | <b>737,197,745</b>        |                                  |

1 On the record (EB-2020-0150)

2 Development Costs eligible for consideration as construction costs of \$5.3 MM not reflected in column B. (OEB Decision, December 20, 2018)

3 Construction related costs due to COVID-19 are not included in the table above; as of Q4 2022, \$111M is estimated to have been incurred and will be recorded in Account 1509

4 Construction costs expected to be recovered through CCVA not included in the table above (EB-2020-0150)

## **C. Project Cost Update Summary by Department**

### **Engineering and Construction**

The Project cost forecast for this department has not changed since the last Reporting Period.

### **Environment and Remediation Activities**

- 10) Site Remediation
  - (\$0.3 MM) – reduction due to refined cost estimates as reclamation progresses and nears completion

### **Indigenous Activities**

- 5) Indigenous Economic Participation
  - \$0.3 MM - support requirement increased in order for the Bamkushwada, LP to obtain equity in the project

### **Land Rights (Excludes Aboriginal Engagement)**

The Project cost forecast for this department has not changed since the last Reporting Period.

### **Other Consultation**

The Project cost forecast for this department has not changed since the last Reporting Period.

### **Regulatory**

The Project cost forecast for this department has not changed since the last Reporting Period.

### **EWT Management**

The Project cost forecast for this department has not changed since the last Reporting Period.

## **D. COVID-19 and Incremental Construction Costs Account Treatment**

On June 17, 2021, the OEB issued a Decision and Order in NextBridge's revenue requirement proceeding. In accordance with this decision, NextBridge is tracking incremental construction costs related to the COVID-19 Global Pandemic in Account 1509. COVID-19 cost prudence and regulatory treatment was deferred by the OEB and will be determined in a separate application to dispose of these costs after the in-service date.

Also, in accordance with this decision, NextBridge is tracking construction cost differences between forecasted construction costs in its revenue requirement application and the actual final project construction costs, the revenue requirement for these costs is tracked in the Construction

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Cost Variance Account (CCVA). NextBridge will bring forward the balance of costs for prudence and recovery in a separate application to dispose of these costs after the in-service date

NextBridge will file for disposition of the COVID-19 costs in Account 1509 and CCVA construction costs in early 2023, for inclusion in rate year 2024 (EB-2020-0150). In the prior OEB Report 3Q\_2022), NextBridge provided an estimate of the CCVA and COVID costs.