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**BY EMAIL AND RESS**

October 20, 2023

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, 2023, through September 30, 2023. 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.

In light of Hydro One having now filed a S.92 leave to construct application for the WTL Project<sup>1</sup>, and consistent with the OEB's May 5, 2020, letter to Hydro One<sup>2</sup>, this will be the final Progress Report to the OEB for this Project.

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

Sincerely,

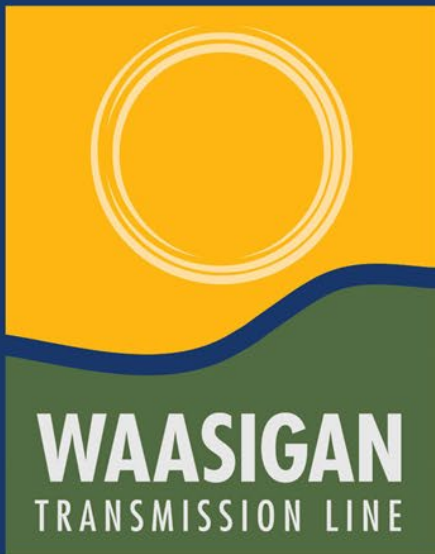


Joanne Richardson

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<sup>1</sup> EB-2023-0198

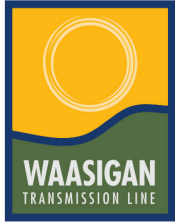
<sup>2</sup> Attachment 2 to this Report.



**WAASIGAN TRANSMISSION LINE**

**Ontario Energy Board Progress Report**

**April 1, 2023 to September 30, 2023**



## 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<sup>1</sup>, the Ontario Energy Board (OEB) requested that Hydro One prepare semi-annual reports to the OEB, “until a leave to construct application for the WTL Project is filed.”<sup>2</sup> that will 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. In addition, on April 24, 2023, the IESO directed Hydro One to have Phase 1 in-service as close to the end of 2025 as possible with Phase 2 coming in service as soon as practical after Phase 1. 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 Project 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. Indigenous communities, municipal officials and staff, industry, businesses, and educational institutions continue to be consulted throughout all stages of the project.

Hydro One completed the Project’s Draft EA Report in May 2023 and made it available for review and comment, in conjunction with holding public open houses to elicit community and stakeholder feedback. The feedback received during this process will be included in Hydro One’s Final EA Report which it anticipates submitting to the Ministry of the Environment, Conservation and Parks

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<sup>1</sup> Refer to Attachment 2 to this Report.

<sup>2</sup> Attachment 2, Pg.2.





(MECP) for review in Q4 2023. A decision is expected by Q2 2024. Opportunities for input and feedback on the Final EA Report will continue throughout the Ministry's review process.

In December 2022 through Hydro One's Early Contractor Involvement Model (a competitive procurement process), Valard Construction was the successful bidder to engineer, procure and construct the Project under a fixed price contract. .

During this reporting period, Hydro One filed the Project's s.92 leave to construct application to the OEB (July 31, 2023) and is now at the beginning stage of the OEB's hearing process.

Hydro One's first semi-annual report issued on October 22, 2020, forecast development phase cost of \$69M. As of September 30, 2023, the overall forecast development phase cost is estimated to remain unchanged at \$69M. In light of Hydro One having now filed a S.92 leave to construct application for the WTL Project<sup>3</sup>, and consistent with the OEB's May 5, 2020, letter to Hydro One<sup>4</sup>, this will be the final Progress Report to the OEB for this Project.

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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<sup>3</sup> EB-2023-0198

<sup>4</sup> Attachment 2 to this Report.





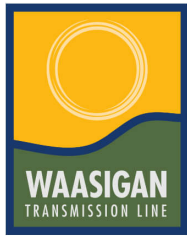
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## BACKGROUND

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 Northwest Bulk Transmission Line Deferral account (EB-2014-0311). Thereafter, Hydro One recorded in the account expenses related to preliminary engineering, design and Environmental Assessment (EA) work associated with the Project prior to the point from which the costs would qualify to be recorded in construction work-in-progress.

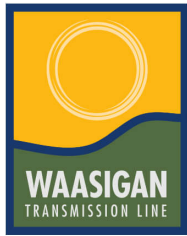
In December 2018, Hydro One requested to change the nature of the Northwest Bulk Transmission Line Deferral account, from a deferral account to a tracking account, and to change the name of the tracking account to the Waasigan Transmission Tracking Deferral Account. This request was a result of the October 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 EA) 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>5</sup>, the OEB approved the disposition of approximately \$877k<sup>6</sup> that was recorded in the Northwest 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-

<sup>5</sup> EB-2019-0082 – Decision and Order dated April 23, 2020, Pg. 159

<sup>6</sup> Balance as at December 31, 2018





in-progress (“CWIP”) with the account recording what are known as ‘tracking’<sup>7</sup> entries in the approved deferral account.

Having advanced development activities on the project, particular around 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.

### **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 Projects 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,
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.

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<sup>7</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.





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 transferred costs, expected to form the rate base of a new partnership, previously tracked in the WTTDA to the ATP Account and continues to track subsequent Project cost expenditures in 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. In updating their needs forecast for Phase 2, on April 24, 2023, the IESO directed Hydro One to have Phase 2 (i.e. the 170 km single circuit 230kV transmission line from Atikokan to Dryden) in-service as soon as practical after Phase 1. Between April 1, 2023, and September 30, 2023, Hydro One continued to proceed with development work on the Project, filing the Project's S.92 leave to construct application with the OEB, advancing EA, consultation, engineering, and design activities. The following summarises the work that was undertaken within the reporting period.

### Filing of the Project's S.92 Application to the OEB

Hydro One filed the Project's s.92 leave to construct application to the OEB on July 31, 2023. The OEB issued an Application Completeness Letter to Hydro One on August 14, 2023, which signaled the commencement of the OEB's processing of the Application.

Subsequently, Hydro One provided notice of the Application, in line with the OEB's direction to Hydro One. At the time of submission of this report the following organisations have requested, intervenor status: IESO, Metis Nation of Ontario, Gwayakocchigewin Limited Partnership, Lac des Mille Lacs First Nation and Neighbours on the Line.

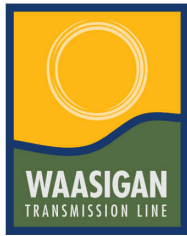
### Environmental Approvals

Hydro One initiated the Environmental Approval (EA) for the Project on March 9, 2022, in accordance with the Project's approved Amended Terms of Reference. Hydro One then engaged with Indigenous communities, stakeholders, and members of the public on the evaluation of alternative routes to identify a preferred route, assessing refinements to the Project footprint and completing an effects assessment for the Project.

The evaluation and route defining process has been documented in a Draft EA Report which was made available for review and comment in May 2023. Hydro One hosted public open houses and







held meetings to present the information contained in the Draft EA Report and gather feedback. During the review period, comments were received from Indigenous communities, government agencies, landowners and members of the public. Feedback received has been reviewed and evaluated, resulting in changes being made to the Project's Final EA Report. Hydro One anticipates submission of the Final EA Report to the Ministry of the Environment, Conservation and Parks (MECP) for review in Q4 2023. A decision is expected by Q2 2024. Opportunities for input and feedback on the Final EA Report will continue throughout the Ministry's review process.

### Indigenous Engagement and Consultation

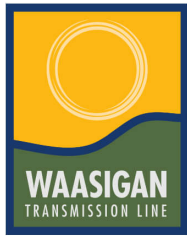
Hydro One continues to engage with potentially impacted Indigenous communities within the period of this report. Key activities have included:

- Hydro One has conducted extensive meetings, workshops, and open houses to engage with potentially impacted communities on the draft Environmental Assessment;
- Weekly working group meetings have occurred with the advisory groups, committees, and consultants of Indigenous communities to receive inputs and identify potential mitigations and avoidance measures regarding potential impacts of the Project to Indigenous rights and interests. Information has been shared from Indigenous communities through mapping, Indigenous Knowledge, professional studies, and other feedback forums such as Environmental Protection Committees;
- Hydro One has engaged Indigenous communities to provide guidance and participation in the design and implementation of an Archaeology program including consideration of Indigenous archaeology monitors;
- Capacity funding is being provided to all Indigenous communities to undertake ongoing Indigenous Knowledge/Traditional Land and Resource Use (IK) studies to help inform decision-making on the Project;
- Hydro One and its nine First Nation partners are meeting as a Partner's Committee to review and collaborate on the development of the Project including key initiatives like cultural training, skills development, employment and procurement opportunities, Indigenous monitoring programs and vegetation management plans;
- Hydro One is supporting participation in the Project from key Indigenous groups through the funding of Elder's Workshops, a network of Community Engagement Coordinators, Environmental Protection Committees, and youth forums.

### Other Consultation

The Project team continues to engage the public, municipal officials, government agencies and elected officials. In May 2023, the Draft EA Report, outlining all the work conducted to identify the





preferred route and to assess the effects of the Project, was released for public review, accompanied by in-person community open houses held in Thunder Bay, Atikokan and Dryden. These were all well-attended events.

The Draft EA review period allowed for additional formal engagement with the public, government agencies, and stakeholders on the proposed route and associated Project footprint along with Hydro One's response to feedback received and proposed mitigation measures. Since the release of the preferred route, Hydro One received considerable input into the proposed routing and footprint and incorporated it into the report. Hydro One continues to work closely with each individual landowner, community representatives and other stakeholders to identify and understand potential impacts and develop tailored mitigation.

### Engineering and Design

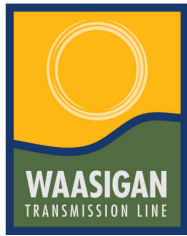
In support of the Project's development phase activities Hydro One undertook an extensive competitive procurement process in February 2021 to engage the services of two Engineering Procurement and Construction (EPC) contractors to move forward with an Early Contractor Involvement (ECI) procurement model approach. In December 2022, the ECI procurement model process culminated with the issuance of a Request for Proposal (RFP) to select an EPC contractor to build the Project under a fixed price contract. After a competitive procurement and evaluation process Valard Construction (Valard) was chosen as the EPC contractor for the Project.

Within the period of this Report Valard continued to provide ECI services 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;
- Identify opportunities for innovation in design, materials, and procurement early in the Project to enable the development of the best project delivery solution;
- Work with property owners to identify potential routing impacts and mitigation solutions.

Hydro One continues to support the IESO with their bulk and regional planning activities. The Project team has received a final System Impact Assessment (SIA) and Customer Impact Assessment (CIA) for the Project.





### Real Estate

The Project Real Estate team has been actively engaging landowners regarding early access agreements with support from environmental field studies and preliminary engineering and design work.

### 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, 2023, the overall forecast development phase cost is estimated to remain unchanged at \$69M.

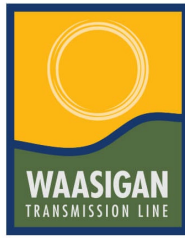
Within this reporting period no cost variances have occurred. As the Project development phase continues to mature, and greater definition is obtained on specific project elements, the redistribution of costs within the overall development budget of \$69M may be required. The method of estimation for these costs are consistent with that of the ECI-EPC model described as part of Hydro One's S.92 leave to construct Application, docket EB-2023-0198, within Exhibit B, Tab 7, Schedule 1.





Table 1 - Project Costs

	<i>Actuals Spent</i>		<i>C</i> <i>Budget per</i> <i>Oct 22,</i> <i>2020 Report</i> <i>(Millions)</i>	<i>Forecast Budget Variance</i>					
	<i>A</i> <i>Spent this</i> <i>Reporting</i> <i>Period</i> <i>(Millions)</i>	<i>B</i> <i>Total Spent to</i> <i>Date</i> <i>(Millions)</i>		<i>D</i> <i>Forecast</i> <i>Budget</i> <i>Change</i> <i>from Last</i> <i>Report</i>	<i>E</i> <i>Forecast</i> <i>Budget</i> <i>Change</i> <i>from Last</i> <i>Report</i>	<i>F</i> <i>Revised</i> <i>Total</i> <i>Budget</i> <i>(Millions)</i>	<i>G</i> <i>G = F - B</i> <i>Budget</i> <i>Remaining</i> <i>(Millions)</i>	<i>H</i> <i>H = G/F * 100</i> <i>Budget</i> <i>Remaining</i> <i>(%)</i>	<i>I</i> <i>Reasons</i> <i>for</i> <i>Change</i>
<i>Real Estate</i>	\$0.0	\$1.5	\$2.0	\$0.0	0%	\$1.6	\$0.1	5%	
<i>Engineering and Design</i>	\$0.7	\$8.4	\$2.0	\$0.0	0%	\$9.0	\$0.6	7%	
<i>Environmental Approvals</i>	\$2.0	\$14.2	\$15.5	\$0.0	0%	\$15.5	\$1.3	8%	
<i>Indigenous Consultation</i>	\$3.3	\$13.6	\$23.0	\$0.0	0%	\$22.5	\$8.9	40%	
<i>Project Management</i>	\$0.3	\$1.4	\$4.5	\$0.0	0%	\$2.4	\$1.0	42%	
<i>Contingency</i>	\$0.0	\$0.0	\$4.0	\$0.0	0%	\$4.0	\$4.0	100%	
<i>Other Consultation</i>	\$0.3	\$1.9	\$3.0	\$0.0	0%	\$3.0	\$1.1	37%	
<i>Interest and Overhead</i>	\$1.2	\$6.4	\$15.0	\$0.0	0%	\$11.0	\$4.6	42%	
<i>Total</i>	\$7.8	\$47.4	\$69.0	\$0.0	0%	\$69.0	\$21.6	31%	



## 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>8</sup>, the IESO directed Hydro One to have Phase One in-service as close to the end of 2025 as possible and on April 24, 2023, the IESO directed Hydro One to have Phase 2 in-service as soon as practical after Phase 1.

In consideration of the above, Hydro One has adjusted the development schedule to achieve Phase One in-service as close to the end of 2025 as possible with Phase Two soon thereafter. Should any change to this schedule materialize it will be included in subsequent bi-annual Project reports. Table 2 – *Project Schedule*, below, presents the updated key milestones and schedule for completing both development phase activities. The Project is on schedule to complete development work by the end of the second quarter of 2024.

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<sup>8</sup> Provided at Attachment 1



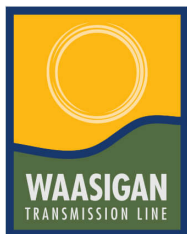
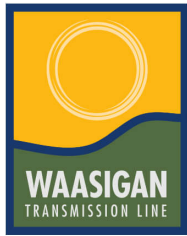


Table 2 - Project Schedule

Milestones	Schedule	Completed	Adjusted to
Notice of Commencement of Terms of Reference	April 24, 2019	April 24, 2019	
Development of route alternatives and data collection	Spring 2019 – Spring 2020	June 2020	
Draft Terms of Reference external review	June 2020	June 2020	
Proposed Terms of Reference submitted to the MECP	September/ October 2020	October 16, 2020	
MECP review and approval of the Terms of Reference	December 2020/January 2021	February 18, 2022	
Notice of Commencement of the Environmental Assessment	January 1, 2021	March 9, 2022	
Data collection on the Environmental Assessment study areas	2021 -- 2022	October 2022	
Evaluation of alternative routes and determination of a preferred route.	November 2020 to May 2021	January 2023	
Consultation on the selection of the preferred route	2021 -- 2022	May 2023	
Preliminary design and engineering	2021 -- 2022		Q4 2023
Draft Environmental Assessment review	2022	August 4, 2023	
Cost Estimation	2022	July 31, 2023	
Leave to Construct (S92) application submission	2022	July 31, 2023	
Decision on Environmental Assessment by MECP	2023/2024		Q2 2024
Complete Development Work	By end of 2024		Q2 2024
Leave to Construct (S92) approval	2023/2024		Q2 2024
IESO Required In-Service Date for Phase 1			Q4 2025
In-service date for Phase 2			Q4 2027



### 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 have been identified and were included in Hydro One's Leave to Construct (Section 92) application that was 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.

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.



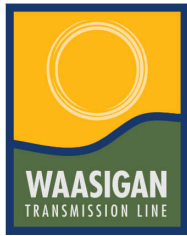
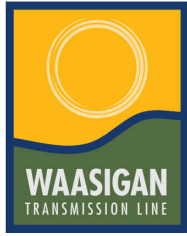


Table 3 - Major Risks and Issues

Risk Description	Likelihood of Occurrence	Impact of Risk on the Project	Mitigation
<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>Regulatory approvals</b>	realized; delay to Term 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.
<b>Real Estate</b>	moderate	Schedule and Cost	With the project's area expecting to be primarily Crown land, there is currently limited information 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.







## **ATTACHMENT #1**

**IESO Letter to Hydro One Re: Scope of Timing and Construction (May 3, 2022)**



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

Independent Electricity System Operator

1600-120 Adelaide Street West  
Toronto, ON M5H 1T1  
t 416.967.7474

www.ieso.ca

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.

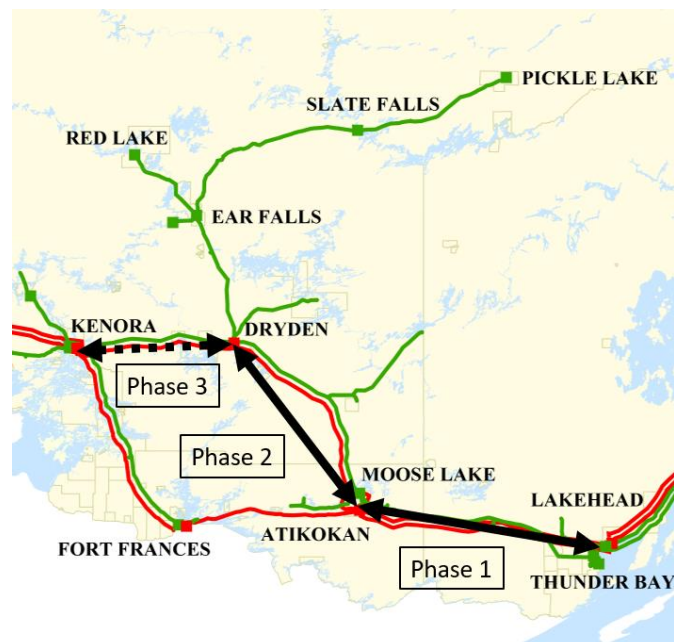


Figure 1 – West of Thunder Bay Area and NWBL Phases

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.

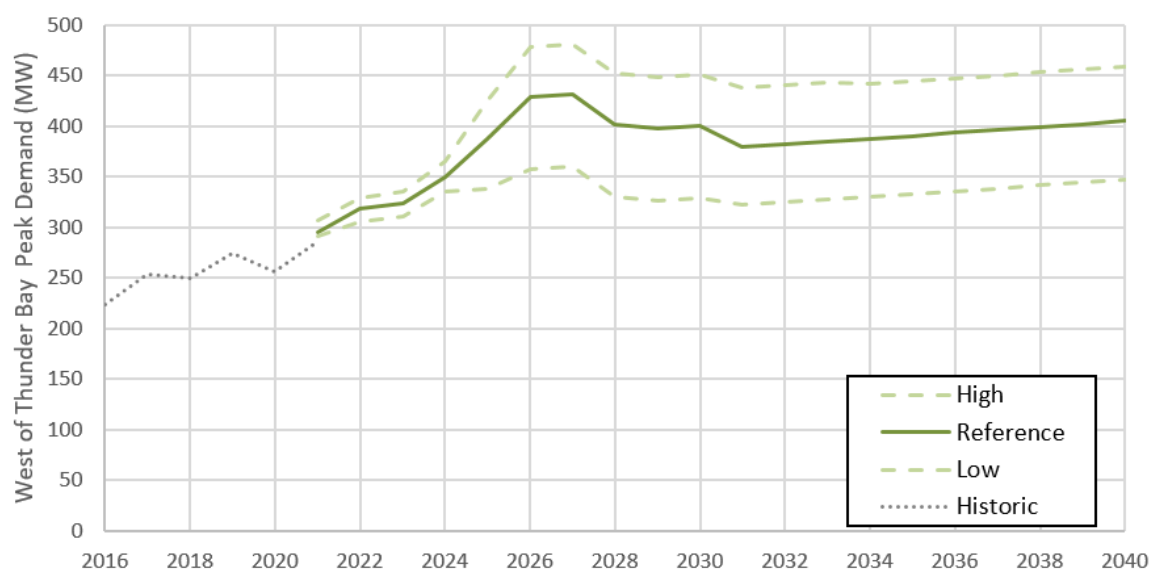


Figure 2 – West of Thunder Bay Electrical Demand Forecast

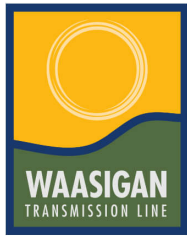
Given the timing of the needs, the range of possible growth scenarios, and the lead time for implementing solutions, the IESO recommends a staged approach for construction of the Project. Hydro One should construct the Project to meet near-term system capacity needs with Phase 1 being placed in-service 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



## **ATTACHMENT #2**

**OEB Letter to Hydro One Re: Update on Costs Tracked in Waasigan Transmission  
Tracking Deferral Account (May 5, 2020)**





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

**BY EMAIL**

May 5, 2020

Ms. Joanne Richardson  
Director, Major Projects and Partnerships  
Hydro One Networks Inc.  
483 Bay Street, 7<sup>th</sup> Floor South Tower  
Toronto, ON M5G 2P5  
[Joanne.Richardson@HydroOne.com](mailto:Joanne.Richardson@HydroOne.com)

Dear Ms. Richardson:

**Re: Update on Costs Tracked in Waasigan Transmission Tracking Deferral  
Account  
Board File Number: EB-2019-0151**

This acknowledges receipt of your letter of April 8, 2020 in which Hydro One Networks Inc. (Hydro One) provides an update on the status and ongoing activities related to the Waasigan Transmission Line Project (WTL Project).

Hydro One forecast \$35 million as the cost to complete development work for the WTL Project in its 2020-2022 Transmission Rates Application<sup>1</sup>. The letter notes that Hydro One continues to proceed with development activities, but now expects development costs to significantly exceed the \$35 million forecast. Hydro One provided a number of reasons for the expected cost increase, including: (i) consultations with additional Indigenous communities; (ii) additional capacity funding to administer the formation of the Indigenous Transmission Limited Partnership, a consortium of seven First Nations; and (iii) interest during construction.

Hydro One states that it will continue to record WTL Project costs in its construction work-in-progress and will track and report the balances in the Waasigan Transmission Tracking Deferral Account that was established by the Ontario Energy Board (OEB) in September 2019.

The OEB will review WTL Project costs in a future proceeding. To that end, it is expected that Hydro One will ensure that it has sufficient evidence to justify the prudence of its costs.

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<sup>1</sup> EB-2019-0082

In the meantime, given recent increases in the expected cost of development work and uncertainty with respect to the timing of the WTL Project, the OEB will require Hydro One under section 13.1 of its transmission licence<sup>2</sup> to provide reports regarding the WTL Project. Reports shall be provided by Hydro One until a leave to construct application for the WTL Project is filed. The reports should be filed as follows:

- April 1 to September 30 for reporting in October
- October 1 to March 31 for reporting in April

All reports are to be filed by the 15<sup>th</sup> business day of the month following the end of each reporting period. The first report should be filed on October 22, 2020 and should also include any updates related to the timing of, and need for, the WTL Project from the IESO.

In each report, Hydro One shall provide an update on the following matters:

- *Overall Project Progress:* An executive summary of work progress, cost and schedule status, and any emerging issues/risks and proposed mitigation.
- *Cost:* Actual development cost and cost variance relative to the \$35 million forecast. A forecast of the overall project cost is to be provided in the first report and will be used as the reference for future reports, which should identify any expected variance relative to the forecast overall project cost. A description of the reasons for any projected variances and mitigating measures should be provided.
- *Development Work Schedule:* The milestones completed and the status of milestones in-progress. The schedule and milestones for development work provided in the first report will be used as the reference for future reports. For milestones that are overdue or delayed, the reasons for delay, the magnitude and impact of the delay on broader project timelines and cost, and any mitigating steps that have or will be taken to complete the task.
- *Risks and Issues Log:* An assessment of the risks and issues with respect to project development, potential impact on schedule, cost or scope, as well as potential options for mitigating or eliminating the risk or issue.

Any questions relating to this letter should be directed to Nancy Marconi at [Nancy.Marconi@oeb.ca](mailto:Nancy.Marconi@oeb.ca) or at 647-292-3225. The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Brian Hewson  
Vice President, Consumer Protection & Industry Performance

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<sup>2</sup> ET-2003-0035