

#### Hydro One Networks Inc.

483 Bay Street 7th Floor South Tower Toronto, Ontario M5G 2P5 HydroOne.com

#### **Pasquale Catalano**

Director
Major Projects and Partnerships
C 647.616.8310
Pasquale.Catalano@HydroOne.com

#### BY EMAIL AND RESS

April 24, 2025

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

Dear Ms. Marconi,

# EB-2025-0130 – Hydro One Networks Inc. – Expropriation Application for Phase 2 of the Waasigan Project – Application and Evidence

Hydro One Networks Inc. ("Hydro One") hereby applies to the Ontario Energy Board ("Board") pursuant to section 99(1) of the Ontario Energy Board Act, 1998, for authority to expropriate certain interests in the lands as more particularly described and shown in the plans and descriptions attached hereto. Hydro One requires expropriation authorization so that it may construct and operate the second of two phases of new 230 kilovolt ("kV") transmission lines known as the Waasigan Project (the "Project"). Phase 2 consists of constructing a new 230 kV single-circuit transmission line spanning approximately 170 km from the existing Mackenzie Transformer Station ("TS") to the existing Dryden TS.

In accordance with OEB filing requirements and policies, components of this application have been filed in confidence given the personal nature of the information disclosed therein. Hydro One confirms that all redacted versions of documents filed in support of Hydro One's application do not disclose any personal information under the Freedom of Information and Protection of Privacy Act.

An electronic copy of this Application and Evidence has been filed through the OEB's Regulatory Electronic Submission System.

Sincerely,

Pasquale Catalano

cc: Gord Nettleton (McCarthy Tétrault)

Monica Caceres (Hydro One Networks Inc.)

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#### **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B (the "OEB Act")

AND IN THE MATTER OF section 99 (1) of the OEB Act

AND IN THE MATTER OF an Application by Hydro One Networks Inc. ("Hydro One") for authority to expropriate land for the purpose of constructing and operating a 170 km long 230 kilovolt single circuit transmission line between Hydro One's Mackenzie Transformer Station in Atikokan, Ontario and Dryden Transformer Station in Dryden, Ontario.

# APPLICATION FOR AUTHORITY TO EXPROPRIATE LAND INTERESTS HYDRO ONE NETWORKS INC.

April 24, 2025

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#### INTRODUCTION

1. Hydro One Networks Inc. ("Hydro One") hereby applies to the Ontario Energy Board ("OEB" or "Board") pursuant to section 99(1) of the Ontario Energy Board Act, 1998 ("OEB Act") for authority to expropriate certain land interests in the lands as more particularly described and shown in the plans and description attached hereto. Hydro One requires expropriation authorization so that it may construct and operate a new 230 kilovolt ("kV") single circuit transmission line known as the Waasigan Transmission Project (the "Project"). Phase 2 of the Project, for which this Application pertains to, is located between Mackenzie TS (in the Town of Atikokan, Ontario) and Dryden TS (in the Town of Dryden, Ontario).

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#### NATURE OF THE PROJECT

2. On December 11, 2013, the Minister of Energy (now the Minister of Energy and Mines) with the approval of the Lieutenant Governor in Council issued an Order in Council ("OIC")<sup>1</sup>, declaring that construction of the Project was needed, in accordance with s.28.6.1 of the OEB Act.

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 Hydro One obtained leave of the Board to construct the Project on April 16, 2024, in accordance with the OEB's Decision in OEB docket EB-2023-0198. A copy of this Decision is found at Appendix 1 of this Application.

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4. To meet the in-service timing requirements set by the Independent Electricity System Operator ("IESO"), the Project will be constructed in two phases. The anticipated in-service date for Phase 2 of the Project is expected by December 2027. To facilitate this in-service date, Hydro One needs to maximize construction activities, such as line clearing and forestry, during the optimal seasonal periods that include Q3/Q4 2025.

<sup>&</sup>lt;sup>1</sup> Appendix A to EB-2013-0137 - OEB Decision and Order, dated January 9, 2014.

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5. The expropriation authorization sought in this Application is limited to the remaining on-corridor land interests required to construct and operate Phase 2 of the Project. In parallel with this sought relief, construction activities for the Project will commence at locations where all necessary approvals, permits, licences, certificates and land agreements have been obtained in accordance with the OEB's leave to construct approval.

6. The Phase 2 route is approximately 170 km in length and located along and adjacent to Hydro One's existing 230 kV transmission line corridor between the Mackenzie TS and the Dryden TS and near Highways 11 and 17. A map illustrating the full Project route, encompassing both Phase 1 and Phase 2 and showing the specific location of the Phase 2 route, is included in Appendix 2 of this Application. A more detailed aerial route map as originally provided in the Project's leave to construct application<sup>2</sup> is also included in Appendix 2 of this Application.

#### PHASE 2 PROJECT LAND REQUIREMENTS

7. New permanent easement interests in land are required for the construction and ongoing operation of Phase 2 of the Project. To accommodate the overhead transmission line and supporting structures, new permanent easements will be up to 46 metres in width. The expropriation authorization relief sought in this Application is intended to provide Hydro One with similar, if not identical land interests that Hydro One has required across other parts of the Project and that have been acquired through voluntary agreements.

8. Beginning in January 2023, Hydro One notified all directly affected landowners impacted by the Project of its intention to present offers to voluntarily acquire land interests required for the Project. All voluntary offers presented to landowners were consistent with Hydro One's Waasigan Project Land Acquisition Compensation Principles ("LACP"), a copy of which is attached as Appendix 3. The voluntary

<sup>&</sup>lt;sup>2</sup> EB-2023-0198, Waasigan Project – Leave to Construct Application, Exhibit C, Tab 2, Schedule 1, Attachment 3, dated July 31, 2023.

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offers provide financial incentives and choices to landowners in exchange for early and voluntary acquisition and resolution of land requirements necessary for the Project. The expropriation authorization relief sought in this Application intends to maintain consistent terms and conditions irrespective of how lands are acquired, either via voluntary agreements or expropriation authorization. Hydro One will abide by the terms of any land acquisition arrangement for the commencement of construction and as such there is no reason to create differences between the interests acquired voluntarily versus by way of expropriation authorization.

9. Phase 2 of the Project impacts approximately 78 private properties and 59 unique landowners along the route. As of April 24, 2025, discussions are continuing with the landowners of the 16 privately held properties that Hydro One requires permanent easements over. No agreements have been executed with these landowners. Hydro One confirms all owners and holders of registrable interests affected by this Application as listed in Appendix 4, have been formally notified of Hydro One's intention to proceed with expropriation of certain interests and seek the relief now requested in this Application. Hydro One also confirms that each landowner affected in this Application was offered the applicable OEB-approved standard form of agreement<sup>3</sup> included in the Project's leave to construct approval.

#### **DESCRIPTION OF THE LAND INTERESTS TO BE EXPROPRIATED**

10. A description of the lands and the specific interests in lands in which Hydro One is seeking authority to expropriate is attached as Appendix 4. Hydro One has conducted a search of title sufficient to identify the current registered property owners, those who hold registrable interests in the lands, and those with any interest in the lands directly affected by this Application. The names of these individuals are listed, by property, in Appendix 4. Personal information has been redacted in accordance with the OEB's Practice Direction. As detailed in Appendix 4, the expropriation authorization relief sought in this Application has been limited to

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<sup>&</sup>lt;sup>3</sup> EB-2023-0198, Waasigan Project – Leave to Construct Application, Exhibit E, Tab 1, Schedule 1, Attachments 1 to 9, dated July 31, 2023.

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a permanent easement for the transmission corridor in all situations over the 16 properties Hydro One is seeking expropriation relief for.

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11. Attached hereto as Appendix 5 are copies of reference plans suitable for registration, showing the lands over which authority to expropriate the interests set out in Appendix 4 is being requested and the registered owners thereof.

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12. As noted above, efforts to voluntarily secure permanent land interests are ongoing with all registered property owners listed in Appendix 4 and Appendix 5. The Board will be notified and/or these appendices will be updated over the course of this proceeding if more voluntary agreements are achieved.

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#### **PUBLIC INTEREST**

13. The expropriation authority requested herein is required for Hydro One to complete the safe and timely construction of Phase 2 of the Project. More specifically, the authority requested herein is required to deliver this Minister-directed transmission project by the in-service date defined by the IESO. The Project has been found to be in the public interest and was approved for construction pursuant to OEB Decision EB-2023-0198.

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14. The Project facilities are needed to maintain a safe, reliable and adequate supply of electricity in the Province. The rights in the lands requested herein are an integral part of the completion of the Project and therefore are necessary and in the public interest.

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15. As previously mentioned, Hydro One has engaged in good faith discussions with all landowners affected by Phase 2 of the Project, providing consistent settlement offers based on the Project's LACP. The landowners and interests in lands described in Appendices 4 and 5 reflect that voluntary settlements have not occurred despite these efforts.

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#### REQUESTED RELIEF

- 16. Based on the foregoing Hydro One requests:
  - a) An Order granting the necessary authority to expropriate the land interests more particularly described in Appendix 4 on such terms and conditions as described herein or as may otherwise be determined by the Board to be in the public interest.
  - b) Consideration of this matter so that in-service timing of Phase 2 of the Project is not unduly delayed. Hydro One requests a decision on this Application prior to September 2025. Approval within this period will facilitate Project constructionenabling activities (such as forestry and line clearing) to be performed during the optimal season for those activities. Additionally, approval prior to September 2025 aligns with current scheduling of the project activities, including necessary filings of registration and expropriation plans to meet the required IESO inservice date for Phase 2 of the Project.

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#### NOTICE

17. Hydro One requests that a copy of all documents filed with the Board be served on the Applicant and the Applicant's counsel, as follows:

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#### a) The Applicant:

Eryn MacKinnon

Regulatory Advisor

Hydro One Networks Inc.

Mailing Address: 7th Floor, South Tower

483 Bay Street

Toronto, Ontario M5G 2P5

Telephone: (416) 345-4479

28 Electronic access: Regulatory@HydroOne.com

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b) The Applicant's Counsel:
 Mr. Gordon M. Nettleton
 Partner

4 McCarthy Tétrault LLP

5 Mailing Address: Suite 5300, 66 Wellington Street West

TD Bank Tower Box 48

7 Toronto, Ontario M5K 1E6

8 Telephone: (416) 601-7509

9 Fax: (416) 868-0673

10 Electronic access: <u>gnettleton@mccarthy.ca</u>

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#### c) The Applicant's Counsel:

Ms. Monica Caceres

14 Assistant General Counsel

Hydro One Networks Inc.

Mailing Address: 8th Floor, South Tower

483 Bay Street

Toronto, Ontario M5G 2P5

19 Telephone: (647) 505-3341 20 Fax: (416) 345-6972

21 Electronic access: <u>monica.caceres@hydroone.com</u>

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18. This Application for authority to expropriate certain interests in the lands as more particularly described and shown in the plans and descriptions attached hereto and any other relief the OEB may to deem necessary is respectively submitted to the Board on April 24, 2025.

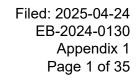
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- 5 Appendix 2 Waasigan Project Phase 2 Route Map
- 6 Appendix 3 Hydro One's Waasigan Project Land Acquisition Compensation Principles
- Appendix 4 Description of Lands and Specific Interests in Lands over which Authority to Expropriate is being Requested
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## **APPENDIX 1**

EB-2023-0198: OEB Decision and Order on a Leave to Construct Application for the Waasigan Transmission Line Project



# DECISION AND ORDER

# HYDRO ONE NETWORKS INC.

Leave to Construct Application - Waasigan Project

**BEFORE: Allison Duff** 

EB-2023-0198

**Presiding Commissioner** 

**Emad Elsayed**Commissioner

**Robert Dodds**Commissioner

April 16, 2024



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#### 1 OVERVIEW

This is a Decision and Order of the Ontario Energy Board (OEB) on an application filed by Hydro One Networks Inc. (Hydro One) for leave to construct approximately 360 kilometres (km) of electricity transmission line and modify associated facilities in northwest Ontario in the regions of Thunder Bay, Rainy River and Kenora. The transmission line and associated station facilities proposed by Hydro One are collectively referred to as the Project. A map showing the location of the Project is attached as Schedule A to this Decision and Order.

The Project comprises two phases. Phase 1 consists of constructing a new 230 kilovolt (kV) double-circuit transmission line that spans approximately 190 km to connect the existing Lakeland Transmission Station (TS) with the existing Mackenzie TS. Phase 2 consists of constructing a new 230 kV single-circuit transmission line spanning approximately 170 km from the existing Mackenzie TS to the existing Dryden TS. Additionally, modifications to the terminal stations at Lakeland TS, Mackenzie TS, and Dryden TS will be undertaken to accommodate the proposed transmission line.

Hydro One also applied for approval of the form of land use agreements it has offered or will offer to landowners affected by the route of the Project.

For the reasons provided in this Decision and Order, the OEB grants Hydro One's application for leave to construct the Project. The OEB finds that the Project is in the public interest based on an examination of the Project need, alternatives, cost, customer impacts, reliability and quality of electricity service, and land matters.

The OEB accepts the proposed Project cost of \$1,200 million. A prudence review of all costs incurred, including the utilization of the Project contingency, may be conducted by the OEB at the appropriate future revenue requirement proceeding after the Project is completed.

The OEB approves the forms of land use agreements that Hydro One has offered or will offer to landowners affected by the routing and construction of the Project. The leave to construct is subject to the OEB's conditions of approval, attached as Schedule B to this Decision and Order.

#### 2 PROCESS

Hydro One applied to the OEB on July 31, 2023, under section 92 of the Ontario Energy Board Act, 1998, for an order granting leave to construct approximately 360 km of electricity transmission line and associated facilities northwestern Ontario.

Hydro One also applied under section 97 of the OEB Act for approval of the form of land use agreements it has offered or will offer to landowners affected by the route of the Project.

On August 24, 2023, the OEB issued its Notice of Hearing. Hydro One made two requests for an extension of time to complete service of notices on August 25, 2023 and again on October 3, 2023, which the OEB granted. The OEB issued updated Notices of Hearing on August 30, 2023 and October 5, 2023. As a result of the extension requests, the OEB's planned timeline for adjudicating this application was extended by 44 calendar days.

The following persons and groups applied for intervenor status:

- Gwayakocchigewin Limited Partnership (GLP)
- Independent Energy System Operator (IESO)
- Kurt Krause
- Lac des Mille Lacs First Nation (LDMLFN)
- Larry Richard
- Neighbours on the Line (NOTL)
- Northwestern Ontario Metis Community and Region 2 of the Metis Nation of Ontario (MNO)
- Ontario Power Generation Inc. (OPG)

GLP, Kurt Krause, LDMLFN, Larry Richard, NOTL, and MNO also applied for cost eligibility. No objection to the requests for intervention or cost eligibility were received from Hydro One.

The OEB issued Procedural Order No. 1 on November 10, 2023. GLP, IESO, Kurt Krause, LDMLFN, Larry Richard, NOTL, MNO and OPG were approved as intervenors. GLP, Kurt Krause, LDMLFN, Larry Richard, NOTL, and MNO were also granted eligibility to apply for costs in respect of matters that are within the scope of this proceeding.

The OEB did not grant cost eligibility to NOTL in respect of representing the interests of landowners who are not directly affected by the Project. The OEB noted that except in

extraordinary circumstances, the OEB does not grant cost eligibility to individual landowners unless the facilities that are the subject of the application are on their property or the utility requires access to their property.

Procedural Order No. 1 established the schedule for filing interrogatories and responses and included the <u>standard issues list</u> for electricity transmission Leave to Construct applications which reflects the OEB's authority under section 96(2) of the Act. Procedural Order No. 1 noted that the OEB's consideration of environmental and Indigenous consultation matters is limited by section 96(2) of the Act and these matters can only be considered to the extent they are relevant to the issues of price, reliability and quality of electricity service.<sup>1</sup>

In response to MNO's request in a letter of November 22, 2023 for an extension, the OEB issued Procedural Order No. 2 on November 24, 2023 which provided a one-week extension to December 5, 2023 for intervenors to file their interrogatories.

In accordance with the procedural schedule, Kurt Krause, NOTL, MNO, Larry Richard, and OEB staff filed interrogatories and Hydro One filed its responses to interrogatories.

On January 16, 2024, the OEB issued Procedural Order No. 3<sup>2</sup> which established procedural steps for intervenors to file evidence, approved Hydro One's confidentiality requests and ordered Hydro One to answer certain interrogatories from intervenor Larry Richard.

Following the issuance of Procedural Order No. 3, no intervenor requested to file evidence.

In Procedural Order No. 3, the OEB found that Hydro One had not provided complete answers to some of Mr. Richard's interrogatories<sup>3</sup> and directed Hydro One to provide complete responses. The OEB stated that if Hydro One believes that any of these responses have no bearing on the price, reliability or quality of electricity service, Hydro One should explain why.

<sup>&</sup>lt;sup>1</sup> <u>Chapter 4 Filing Requirements for Electricity Transmission Applications</u>, Section 96: Scope of OEB Consideration of Public Interest" under section 92, pages 12-13, March 16, 2023.

<sup>&</sup>lt;sup>2</sup> Decisions on Confidentiality and Motion and Procedural Order No. 3.

<sup>&</sup>lt;sup>3</sup> Larry Richard Interrogatory 1(a), 2(a), and 3(a) to 3(g), January 22, 2024.

Hydro One filed updated responses to Mr. Richard's interrogatories on January 22, 2024.<sup>4</sup> Mr. Richard sent an email to the OEB on January 27, 2024, arguing that Hydro One's responses were still inadequate, and Hydro One filed a response on January 30, 2024.

On January 30,2024, intervenor NOTL also filed a letter regarding Hydro One's interrogatory responses and Hydro One filed a response on February 1, 2024.

On February 2, 2024, the OEB issued Procedural No. 4 in which the OEB found that Hydro One's supplementary responses to Mr. Richard's interrogatories<sup>5</sup> were adequate for the OEB's consideration of the application and denied Mr. Richard's request for responses to further interrogatories. With respect to the requests raised in NOTL's January 30 letter, the OEB found Hydro One's response on February 1, 2024 was satisfactory.

In accordance with the schedule established through Procedural Order No. 4, Hydro One filed its written Argument-in-Chief on February 13, 2024. Written submissions were filed by OEB staff, NOTL, MNO, and GLP on February 21, 2024. Hydro One filed its reply submission on March 8, 2024.

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<sup>&</sup>lt;sup>4</sup> Hydro One's updated responses to Larry Richard Interrogatory 1(a), 2(a), and 3(a) to 3(g), January 22, 2024

<sup>&</sup>lt;sup>5</sup> Larry Richard Interrogatory 1(a), 2(a), and 3(a) to 3(g), January 22, 2024.

# 3 Duty to Consult

The Project is within the traditional territories of the Treaty #3 and Robinson-Superior First Nations and traverses the Northwestern Ontario Métis Community and Northern Lake Superior Métis Community.<sup>6</sup> Hydro One stated it understands that individual Indigenous communities are independent Nations and have expressed unique relationships, jurisdictions, responsibilities, and requirements as pertaining to land rights.<sup>7</sup>

Hydro One stated that the Crown has a Duty to Consult, and where appropriate, accommodate Indigenous peoples whenever a Crown decision or activity could impact established or asserted Aboriginal and Treaty rights. Hydro One stated that the Ministry of Energy Crown delegated the procedural aspects of the Crown's duty to consult Indigenous communities to Hydro One. The Ministry acknowledged that the Project may have a potential impact on Aboriginal and Treaty rights. Hydro One stated that through a Memorandum of Understanding, Hydro One collaborated with Indigenous groups to develop a comprehensive consultation plan.

Intervenor MNO submitted that the OEB should ensure that, "the constitutional principle of the honour of the Crown is upheld throughout its decision making process and ensure that the duty to consult is met prior to any approval that has the potential to adversely impact Indigenous rights."<sup>9</sup>

In its reply submission, Hydro One stated that throughout the proceeding the scope of the OEB's review was outlined several times, including reference to its legislative mandate. Hydro One submitted that issues related to the environment or the government's duty to consult do not form part of the OEB's review unless it relates to price, reliability and quality of electricity service. Hydro One added that "[f]or matters related to the Crown's duty to consult, the OEB relies on the consultation (efforts and actions), as procedurally delegated by the Ministry of Energy to Hydro One, conducted during the Terms of Reference, the EA, and ongoing commitments for continued consultation opportunities throughout subsequent projects phases (e.g., design and construction)." 10

Decision and Order April 16, 2024

<sup>&</sup>lt;sup>6</sup> Exhibit E, Tab 1, Schedule 1, p. 2.

<sup>&</sup>lt;sup>7</sup> Exhibit E, Tab 1, Schedule 1, p. 2.

<sup>&</sup>lt;sup>8</sup> Exhibit E, Tab 1, Schedule 1, p. 2.

<sup>&</sup>lt;sup>9</sup> MNO submission, p. 3.

<sup>&</sup>lt;sup>10</sup> Reply submission, p. 22.

#### **Findings**

The OEB notes that issues raised by MNO which are related to the Environmental Assessment process, including the duty to consult, are beyond the scope of this proceeding except to the extent that they affect the cost, reliability and quality of electricity service. The OEB finds the issues raised by MNO do not affect these parameters.

However, the OEB's approval of the Project is subject to a number of conditions as attached in Schedule B to this Decision and Order. The first condition of approval states in part that Hydro One "shall obtain all necessary approvals, permits, licences, certificates, agreements and rights required to construct, operate and maintain the Project." This condition would include any approvals associated with the Environmental Assessment process. The third condition of approval requires Hydro One to advise the OEB of any proposed material change in the Project, including but not limited to, Environment Assessment approvals.

#### 4 DECISION

Section 92 of the OEB Act provides that leave of the OEB must be obtained for the construction, expansion or reinforcement of electricity transmission lines. Section 96(2) of the OEB Act limits the scope of the OEB's review in an application under section 92 to the interests of consumers with respect to prices and the reliability and quality of electricity service.

The OEB's findings on the Project's impacts on price (which includes an analysis of Project need and alternatives), reliability and quality of electricity service, land matters and conditions of approval are addressed in this chapter.

### 4.1 Project Need

The Project (previously known as the "Northwest Bulk Transmission Line") was identified in the Ontario Government's 2013 and 2017 Long Term Energy Plans 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.<sup>11</sup>

In support of the need for the Project, Hydro One filed an Order in Council (OIC) and Ministry of Energy Directive issued on December 11, 2013 under section 28.6 of the Act. 12 The OIC and Directive required that Hydro One's electricity transmission license be amended to add a requirement for Hydro One to develop and seek approvals for the Project.

On January 9, 2014, the OEB updated Hydro One's electricity transmission license to, amongst other things, establish the scope and timing of the Project through collaboration with the IESO (at the time the Ontario Power Authority) and to seek approvals of the Project.<sup>13</sup>

The IESO described the need for the Project in its first letter to Hydro One dated October 1, 2014, <sup>14</sup> and again in more detail through subsequent letters dated October

<sup>&</sup>lt;sup>11</sup> Long-Term Energy Plan 2013, Long-Term Energy Plan 2017.

<sup>&</sup>lt;sup>12</sup> Exhibit B, Tab 3, Schedule 1, Attachment 1.

<sup>&</sup>lt;sup>13</sup> EB-2013-0437; Exhibit B, Tab 3, Schedule 1, Attachment 3.

<sup>&</sup>lt;sup>14</sup> Exhibit B, Tab 3, Schedule 1, Attachment 5.

24, 2018, 15 May 3, 2022, 16 and April 24, 2023. 17 In its April 2023 letter, the IESO recommended that Phase 1 be placed in service as close to the end of 2025 as possible with Phase 2 coming in service as soon as practical after Phase 1.

In the IESO's Waasigan Transmission Line Project: Need, Alternatives, and Recommendations Report (IESO Report), <sup>18</sup> published July 2023, the IESO stated that the electricity system today is close to capacity and due to the future development of mining projects there will be an immediate need for additional supply capacity. The IESO Report stated that the risk associated with not building that capacity now is that new customers may not be able to connect or reliability of electricity supply in the region may be degraded.

In its submission, OEB staff agreed that there is a need to increase electricity supply in the region based on a projected growth of mining developments and the electrification of existing mining activities, as noted in the IESO Report.

#### **Findings**

The OEB finds that the Project is needed based on the reasons provided in the 2023 IESO Report, the Minister's Directive and OIC and the IESO's letters of direction. It is a non-discretionary project.

## 4.2 Project Alternatives

The Project technical alternatives are addressed in this section. The Project's alternative routes are addressed in the Project Costs section.

Hydro One's evidence is based on the 2023 IESO Report which outlines the emerging needs in the region due to the anticipated growth in demand across different forecast scenarios. In addition, it examines alternative solutions to address these needs and ultimately recommends the construction of the Project as the optimal solution. The 2023 IESO Report states that the "IESO considered several alternatives to address the needs arising under each of the Region's demand forecast scenarios, including transmission reinforcement, incremental conservation and demand management (CDM), new non-emitting supply resources (including storage), and new gas-fired generation". <sup>19</sup> The

<sup>&</sup>lt;sup>15</sup> Exhibit B, Tab 3, Schedule 1, Attachment 6.

<sup>&</sup>lt;sup>16</sup> Exhibit B, Tab 3, Schedule 1, Attachment 7.

<sup>&</sup>lt;sup>17</sup> Exhibit B, Tab 3, Schedule 1, Attachment 8.

<sup>&</sup>lt;sup>18</sup> Exhibit B, Tab 3, Schedule 1, Attachment 9, IESO Report Waasigan Transmission Line Project: Need, Alternatives, and Recommendations.

<sup>&</sup>lt;sup>19</sup> IESO Report, Exhibit B, Tab 3, Schedule 1, Attachment 9, p. 14.

2023 IESO Report concludes that the Project is the recommended alternative as it improves system capability, meets the supply capacity needs, and is the most cost-effective alternative when compared to a benchmark gas generation alternative.<sup>20</sup>

Hydro One undertook an analysis of the conductor size alternatives that would meet the supply forecast needs in the west of Thunder Bay area and would also be the optimal conductor size and rating, based on the expected load scenario in terms of line losses. Hydro One evaluated the following Aluminium-Conductor Steel-Reinforced cable (ACSR) conductor sizes: 795 kcmil, 997 kcmil, 1192 kcmil, and 1443 kcmil. Hydro One confirmed that ACSR 795 kcmil (Alternative 1), Hydro One's preferred alternative, is the minimum conductor size that would suitably address the supply load need for each phase of the Project. <sup>21</sup>

Hydro One conducted a 50-year net present value (NPV) analysis of the alternatives using Alternative 1 as the base conductor. The analysis evaluated the incremental capital cost and line loss reduction to determine which conductor alternative provided the best incremental NPV result. Additionally, Hydro One conducted an incremental NPV sensitivity analysis to account for line loss reduction across the alternatives at varying Hourly Ontario Energy Prices (HOEP).

Hydro One stated that the results of the NPV analysis show that Alternative 1 has the lowest incremental NPV based on capital costs alone, and Alternative 1 also has the lowest incremental NPV if losses are included at an HOEP of \$47.30/MWh. Hydro One stated that the results of the incremental NPV energy price sensitivity analysis showed that for the incremental costs of the Alternative 2 to be at least economically neutral to the ratepayers, the average annual increase to HOEP would have to be approximately \$30/MWh greater than the HOEP of \$47.30/MWh.

OEB staff noted that the differences in costs between Alternative 1 and Alternative 2 are marginal. OEB staff calculated Alternative 2 to be 0.4%<sup>22</sup> higher in costs than Alternative 1. OEB staff noted that in scenarios where HOEP increases past \$78/MWh, the NPV sensitivity analysis demonstrates that Alternative 2 is marginally more economic, while in scenarios where HOEP is below \$78/MWh, Alternative 1 is marginally more economic.

<sup>&</sup>lt;sup>20</sup> IESO Report, Exhibit B, Tab 3, Schedule 1, Attachment 9, p. 20.

<sup>&</sup>lt;sup>21</sup> Interrogatory response to OEB Staff 6a).

 $<sup>^{22}</sup>$  0.4% = \$5 million / \$1,200 million.

OEB staff further stated that given that there is no material cost difference between Alternative 1 and Alternative 2, OEB staff does not oppose Hydro One selecting Alternative 1 as the proposed option.

Hydro One did not respond to the points raised by OEB staff regarding the marginal difference between Alternative 1 and Alternative 2.

#### **Findings**

The OEB finds that the Project is the best alternative solution to address the emerging needs in the region based on Hydro One's evidence and the recommendation of the 2023 IESO Report. The 2023 IESO Report considered several alternatives and concluded that the Project is the recommended alternative as it improves system capability, is technically feasible and is the most cost-effective option when compared to other alternative solutions.

#### 4.3 Project Costs

Hydro One estimated that the Project will cost \$1,200 million.<sup>23</sup> The estimate includes a contingency amount in recognition of risks, with the key project risks including land acquisition, engagement and consultation, and approvals, permits and authorizations. The cost estimate carries a level of confidence equivalent to a Class 3 AACE estimate, which ranges from -20% to +30%.<sup>24</sup>

Hydro One stated that the Project lines cost estimate is based on a fixed price Engineering, Procurement, and Construction (EPC) contract, which reflects current market-tested EPC pricing to deliver the Project, along with corresponding risk that will be transferred to the EPC contractor.

The background and findings for this section are organized as follows:

- Proposed Route
- Contingency Costs
- Overhead Capitalization Incentive
- Environmental Mitigation Costs
- Overall Costs

<sup>&</sup>lt;sup>23</sup> Exhibit B, Tab 7, Schedule 1, p. 1.

<sup>&</sup>lt;sup>24</sup> Exhibit B, Tab 7, Schedule 1, p. 4.

#### 4.3.1 Proposed Route

As a condition of its license, Hydro One is required to undertake the development and seek approvals for a new 230 kV double-circuit transmission line in the region west of Thunder Bay. The license condition does not specify the precise route that the transmission line must follow. In the pre-filed evidence, Hydro One filed a map of the proposed route for the Project.

Hydro One's Environmental Assessment (EA) evaluated four route alternatives based on natural environment, socio-economic environment, technical and cost related matters, and Indigenous consultation criteria. Based on the performance of these route alternatives against these criteria, the EA established the preferred route which is proposed in this application.

Hydro One stated that it undertook extensive consultation as part of the EA process to inform the development of the Project route that would best meet Project needs. <sup>26</sup> Hydro One stated that stakeholder feedback on alternate routes – including feedback from certain intervenors in this proceeding – was considered and studied further through the EA process. <sup>27</sup>

Intervenors NOTL, Larry Richard and Kurt Krause, sought clarity in this proceeding on Project routing alternatives and inquired why the line could not move away from the preferred route in areas that impacted those parties.<sup>28</sup>

#### **NOTL's Alternative Routes**

NOTL stated that Hydro One's proposed route for the Project will negatively impact affected landowners and devalue their properties. <sup>29</sup> Hydro One stated that NOTL proposed two alternative routes: one that was brought to Hydro One's attention for the first time during this application and another that was considered during the EA process. <sup>30</sup>

NOTL's first proposed route would "go directly to Dryden via Upsala and Ignace, bypassing Atikokan" and would be situated "north of Thunder Bay to west of Upsala

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<sup>&</sup>lt;sup>25</sup> Final Environmental Assessment Report for the Waasigan Transmission Line, p. 2.2-10.

<sup>&</sup>lt;sup>26</sup> Argument-in-Chief, p. 11.

<sup>&</sup>lt;sup>27</sup> Argument-in-Chief, p. 11.

<sup>&</sup>lt;sup>28</sup> Kurt Krause's email correspondence dated January 29, 2024; NOTL's letter dated January 30, 2024; Larry Richard Interrogatories, December 5, 2023; Larry Richard's email correspondence dated January 10, 2024; Larry Richard's email correspondence dated January 27, 2024.

<sup>&</sup>lt;sup>29</sup> NOTL letter, November 16, 2023.

<sup>&</sup>lt;sup>30</sup> Argument-in-Chief, pp. 13-14.

then northwest past Ignace to follow the existing 230 kV Transmission Line to Dryden". Hydro One argued that this alternative route constitutes a new proposal that had not previously been shared with Hydro One. Hydro One confirmed that it did not perform a financial assessment of NOTL's new proposed route because by-passing Atikokan does not meet the IESO's system planning requirements hich require the Project to connect through the Mackenzie TS in Atikokan. He IESO requirement to connect through the Mackenzie TS in Atikokan was initially identified in a 2018 Letter of Direction and confirmed in a 2023 report.

Hydro One stated that NOTL's second alternative route proposed during the EA process was considered by Hydro One and a financial evaluation was performed.<sup>37</sup> Hydro One rejected this alternative route based on the outcome of the financial evaluation, which determined that it would be approximately 41 km longer and approximately 22% greater in cost than Hydro One's preferred route. Hydro One stated that the associated increased cost to construct this proposed alternative, along with the negative impact to Indigenous communities and natural environment, were sufficient bases for Hydro One to reject it as a preferred alternative.<sup>38</sup>

#### Larry Richard's Alternative Route

Intervenor Larry Richard sought clarification regarding a route alternative described as the "Steep Rock Mine brownfield corridor" (a decommissioned 115 kV right-of-way located in the Atikokan to Shebandowan Lake area). In response, Hydro One explained that these limited sections were assessed to be not optimal given the need for crossovers that would be required for the line to be operated and maintained amongst existing facilities. Hydro One further noted that the "Steep Rock Mine brownfield corridor" was rejected because it had limited space to construct a 230 kV transmission line, included physical constraints (i.e., an active aggregate operation) and introduced natural environment disadvantages (i.e., habitat fragmentation for wildlife).

Furthermore, Hydro One explained that implementing the route sections noted in "Steep Rock Mine brownfield corridor" would increase the total cost of the Project due primarily

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<sup>&</sup>lt;sup>31</sup> Letter from NOTL, November 16, 2023.

<sup>&</sup>lt;sup>32</sup> Argument-in-Chief, p. 12.

<sup>&</sup>lt;sup>33</sup> Exhibit B, Tab 3, Schedule 1.

<sup>&</sup>lt;sup>34</sup> Argument-in-Chief, p. 12.

<sup>&</sup>lt;sup>35</sup> Exhibit B, Tab 3, Schedule 1, Attachment 6, p. 4.

<sup>&</sup>lt;sup>36</sup> Exhibit B, Tab 3, Schedule 1, Attachment 9, pp. 9-10.

<sup>&</sup>lt;sup>37</sup> Argument-in-Chief, p. 13.

<sup>&</sup>lt;sup>38</sup> Argument-in-Chief, p. 13.

<sup>&</sup>lt;sup>39</sup> Larry Richard Interrogatory 1.

to the complexity of design, footing requirements, tower heights, span lengths and engineering effort required for these sections.<sup>40</sup>

In its submission, OEB staff acknowledged that price is a key consideration in a section 92 application and recognized that the route of the transmission line can have a material impact on the overall price that is passed on to consumers through rates. OEB staff noted, however, that detailed route selection is determined in the EA process which evaluates the route based on a comprehensive evaluation considering the natural environment, socio-economic environment, technical and cost related matters, and Indigenous consultation.

#### **Findings**

Based on the evidence provided by Hydro One, the OEB finds that the selected Project route is preferable to other alternative routes, including those suggested by NOTL and Larry Richard based on an assessment of cost and the extent to which these alternatives impact the price, reliability and quality of electricity service. The OEB notes that other considerations raised by intervenors affecting the route selection are expected to be addressed through the Environmental Assessment process which is beyond the scope of this proceeding.

#### 4.3.2 Contingency Costs

The Project cost estimate is comprised of \$993.7 million for line work and \$206.3 for station work. These Project costs each include estimated contingency costs of \$99.9 million for line work and \$23.7 million for station work, totaling \$123.6 million in contingency. These estimates were developed with the guidance of a risk assessment framework. Hydro One stated that the top project risks were land acquisition, engagement and consultation, and approvals, permit and authorizations.

Hydro One provided the following table comparing the Project's contingency estimates to other recent Leave to Construct applications with significant budgets.

Table 3: Contingency Cost Comparison from OEB applications<sup>41</sup>

Waasigan Project	Waasigan Project	Chatham	East-West Tie
Phase 1	Phase 2	Lakeshore Project	Line

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<sup>&</sup>lt;sup>40</sup> Hydro One's updated response to Larry Richard interrogatories, January 22, 2024.

<sup>&</sup>lt;sup>41</sup> Interrogatory response to OEB Staff 7.

Line Cost	10.5%	9.5%	8.9%	6.7%
Station Cost	11.2%	12.3%	4.6%	12.2%

OEB staff observed that the Project's contingency costs were significantly higher than the comparators and that a more detailed explanation comparing the contingency costs would have been helpful.<sup>42</sup> OEB staff stated that it was unclear how pre- and post-Covid-19 pandemic conditions have contributed to significant changes to risk factors and the contingency cost. OEB staff also noted that the Chatham Lakeshore Project was also undertaken post-Covid-19.

OEB staff submitted that the contingency cost estimates for the line portion of the Project should be reviewed in the Project's cost-based transmission revenue requirement proceeding.<sup>43</sup>

Hydro One responded that it would be inappropriate and procedurally inefficient for the OEB to defer approval of the Project's contingency cost estimates as this would chill future energy infrastructure project investment and stifle economic growth in Ontario.<sup>44</sup>

Hydro One noted that its approach to developing the contingency costs followed an industry established best practices methodology utilizing a risk management model.<sup>45</sup> Hydro One explained that the Project cost contingency is not a funded liability of all risk items (such as explicit delays arising from Indigenous community engagement and consultations) but rather it is a probabilistic amount based on Hydro One's assessment of the likelihood of occurrence.<sup>46</sup>

Hydro One also noted that the contingency budget for the East-West Tie Line was absorbed soon after construction commenced. Hydro One submitted that the contingency percentages provided in that application provide no reasonable basis to establish the contingency budget for this Project.

<sup>&</sup>lt;sup>42</sup> OEB staff submission, p. 12.

<sup>&</sup>lt;sup>43</sup> OEB staff submission, p. 13.

<sup>&</sup>lt;sup>44</sup> Argument-in-Chief, p. 13.

<sup>&</sup>lt;sup>45</sup> Argument-in-Chief, p. 12.

<sup>&</sup>lt;sup>46</sup> Argument-in-Chief, p. 13.

#### **Findings**

The OEB accepts the estimated total Project cost of \$1,200.0 million (see Section 4.3.5), which includes a contingency budget of \$123.6 million.

The OEB recognizes OEB staff's concerns that the \$123.6 million contingency budget may be excessive. However, the OEB agrees with Hydro One that certainty and regulatory assurance is needed before construction is commenced so that reasonable capital expenditures may be recovered.

The prudence of spending this contingency budget may be examined by the OEB in a prudence review at the appropriate future revenue requirement proceeding after the Project is completed.

The following summarizes the OEB's reasons for these findings. Relevant cost estimate components are shown below:

- Total Project cost estimate (including contingency) is \$1,200.0 million
- The fixed price EPC contract represents a significant percentage of the total Project cost estimate<sup>47</sup>
- The contingency budget of \$123.6 million represents 11.5% of the precontingency Project cost estimate

The 11.5% contingency may seem reasonable if not for the fact that the EPC contractor is assuming the risk of any over-expenditure in the EPC contract, which represents a significant portion of the total Project cost estimate. In its application, Hydro One stated "Thus, the cost estimate reflects current market-tested EPC pricing to deliver the Project, along with corresponding risk that will be transferred to the EPC contractor." This risk allocation to the contractor is typically the case in any fixed price EPC contract unless Hydro One changes the Project scope which would negate the benefits of a fixed price contract.

For a contractor to enter into a fixed price EPC contract, one would expect that the contract price includes a contingency to deal with project planning and execution risks assumed by the EPC contractor. This contingency is included in the EPC contract price and is not part of Hydro One's estimated Project contingency. Therefore, the real cost contingency is likely significantly higher than 11.5%.

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<sup>&</sup>lt;sup>47</sup> The estimated EPC contract cost was deemed by the OEB to be confidential and only to be made available to OEB staff, counsel and Commissioners.

<sup>&</sup>lt;sup>48</sup> Exhibit B, Tab 7, Schedule 1, p. 4.

In its response to an OEB staff interrogatory<sup>49</sup>, Hydro One does not address the risk (or lack of risk) to Hydro One associated with the fixed price EPC contract. The OEB notes that Hydro One identified the top three Project risks, based on which the estimated cost contingency was determined, as:

- Land acquisition
- Engagement and consultation
- Approvals, permits and authorizations

#### 4.3.3 Overhead Capitalization Methodology

Hydro One stated that it adopted a fixed price EPC methodology for the Project to effectively define and manage scope, schedule, and risk, ensuring cost predictability for a project of this scale.

Hydro One stated that the Project follows an Early Contractor Involvement (ECI) delivery model, which engages external engineering firms and EPC contractors (ECI-EPC). Compared to standard Hydro One transmission projects, the ECI-EPC projects require a reduced amount of Hydro One Common Corporate Costs thereby reducing the overhead allocation rate needed for these projects. Hydro One stated that indirect costs allocated to the Project are Common Corporate Costs and are charged to the project through an overhead capitalization rate.<sup>50</sup>

Hydro One engaged the services of Atrium Economics to determine if adjustments to the overhead capitalization methodology were warranted for the new project execution model. Based on recommendations from Atrium Economics, Hydro One adjusted its overhead capitalization methodology, utilizing a blended overhead rate determined by the project type and the source of costs. Specifically, this includes costs associated with ECI-EPC projects, which do not rely heavily on Hydro One's corporate support functions, and non-ECI-EPC costs, which utilize the standard transmission overhead rates.

Hydro One stated that a five-year weighted average overhead rate of 3.0% (rounded) will be applied to the Project's annual capital expenditures.

Hydro One stated that the refined methodology aligns with the methodology agreed upon by parties and accepted by the OEB in Hydro One's Joint Rate Application

<sup>50</sup> Exhibit B, Tab 7, Schedule 1, p. 6; Argument-in-Chief, pp. 19-21; Reply submission, p. 16.

<sup>&</sup>lt;sup>49</sup> OEB Staff Interrogatory 7.

proceeding<sup>51,52</sup> Hydro One calculated that by using the refined methodology, it lowers the impact to the Project budget by approximately \$60 million (i.e., not charging the Project for components of Hydro One overhead that are being performed by the ECI-EPC contractor).

OEB staff submitted that the review of the proposed methodology should be conducted by the OEB as part of the Project's first cost-based rates application (which is expected to be filed in January 2025), rather than in the current proceeding. OEB staff recommended that the following six points be addressed in the rate application:<sup>53</sup>

- 1. The new approach is proposed to be a precedent.<sup>54</sup>
- 2. The new approach is proposed to have a material impact. 55
- There are implications on the new approach based on the regulatory accounting standard used.<sup>56</sup>
- 4. There are implications on the selected date to apply the new approach.<sup>57</sup>
- 5. It is unclear whether the difference between the legacy overhead capitalization methodology and the new approach is being tracked in a deferral or variance account.<sup>58</sup>
- 6. The new approach is a rates issue and should be tested by a number of additional ratepayer groups, in conjunction with OEB staff.<sup>59</sup>

Hydro One provided the following responses to the points raised by OEB staff:

 The proposed methodology is not precedential and is simply a refinement to Hydro One's existing (OEB approved) approach as reviewed by and recommended in the Atrium Economics Report.<sup>60</sup>

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<sup>&</sup>lt;sup>51</sup> EB-2021-0110, Decision and Order, November 29, 2022.

<sup>&</sup>lt;sup>52</sup> Argument-in-Chief, p. 21.

<sup>&</sup>lt;sup>53</sup> OEB staff submission, p. 16.

<sup>&</sup>lt;sup>54</sup> OEB staff submission, p. 16.

<sup>&</sup>lt;sup>55</sup> OEB staff submission, p. 16.

<sup>&</sup>lt;sup>56</sup> OEB staff submission, p. 17.

<sup>&</sup>lt;sup>57</sup> OEB staff submission, p. 18.

<sup>&</sup>lt;sup>58</sup> OEB staff submission, p. 18.

<sup>&</sup>lt;sup>59</sup> OEB staff submission, p. 19.

<sup>&</sup>lt;sup>60</sup> Reply submission, p. 15.

- Not allowing the new approach would lead to the Project attracting overheads from both the ECI-EPC contractor and from Hydro One and result in artificially inflating the Project costs.<sup>61</sup>
- 3. The discussion of any future change to accounting standards is irrelevant and out of scope for this proceeding.<sup>62</sup>
- 4. Not applying the proposed overhead capitalization rate to a portion of the Project costs does not result in a material impact to the total Project cost.<sup>63</sup>
- Approving the proposed overhead capitalization methodology would eliminate the need to track any differences between the existing and proposed overhead capitalization methodology.<sup>64</sup>
- 6. OEB's notice requirements for this application were rigorously followed, giving any and all third parties ample opportunity to participate in this proceeding.<sup>65</sup>

#### **Findings**

Hydro One's overhead capitalization methodology is a rates issue and is, therefore, beyond the scope of this leave to construct proceeding. Hydro One's current rates are based on an OEB-approved overhead capitalization rate, corresponding operating budgets, and certain overhead administrative functions for which the costs may, or may not, be capitalized. To formally approve a change, or an exception, for large transmission projects in the midst of a five-year rate term is not appropriate as the scope of such considerations is beyond the scope of a leave to construct proceeding.

Ratemaking should not be a constraint to utility innovation and efficiency. The OEB encourages Hydro One and its contractors to find efficiencies in managing capital projects irrespective of the rate term. The OEB accepts Hydro One's evidence and recommendations in the Atrium Economics Report that early contractor involvement is warranted, yielding greater certainty and cost savings for ratepayers. Economic efficiency would be achieved by having one company complete the earlier work and provide the associated overhead functions. Thus, the prospect of transferring

<sup>&</sup>lt;sup>61</sup> Reply submission, p. 16.

<sup>&</sup>lt;sup>62</sup> Reply submission, p. 17.

<sup>&</sup>lt;sup>63</sup> Reply submission, p. 17.

<sup>&</sup>lt;sup>64</sup> Reply submission, p. 18.

<sup>&</sup>lt;sup>65</sup> Reply submission, p. 18.

responsibility of certain overhead functions from the utility to the third-party contractor appears logical - but not if costs are duplicated.

Hydro One should proceed with the Project in an economically efficient manner. Hydro One appropriately advised the OEB of this interim change in cost incurrence for large transmission projects, but explicit OEB approval in this leave to construct proceeding is not required nor is it provided.

The OEB questions whether Hydro One will reassess and reduce its internal overhead functions in adopting this new ECI-EPC model. While \$60 million is at issue in this Project, the OEB expects avoided costs will be material if this new contracting model is extended to all transmission projects as indicated by Hydro One. At the appropriate future proceeding, Hydro One should demonstrate how adopting the ECI-EPC model benefited ratepayers and how overhead functions were reassessed to avoid cost duplication.

#### 4.3.4 Environmental Mitigation Costs

In Procedural No. 1, the OEB noted that the Project is subject to an Environmental Assessment conducted by the Ministry of the Environment, Conservation and Parks. The OEB stated that issues related to the Environmental Assessment process are not reviewed by the OEB except to the extent that they are relevant to the OEB's consideration of price, reliability and quality of electricity service. The OEB noted that it is a standard condition of any approval granted under section 92 of the OEB Act that the applicant obtains all necessary approvals, permits, licences, certificates, agreements and rights required to construct, operate and maintain the project.<sup>66</sup>

Intervenor MNO submitted that the OEB should either deny the application due to the leave to construct request being made prematurely or approval should be subject to the EA being approved, Hydro One obtaining all other applicable approvals, and after any applicable appeal routes from interested parties have been exhausted.

While MNO acknowledged that under section 96(2) of the Act, the OEB only considers the price, reliability, and quality of electricity service to make its decision for this type of application, MNO stated that the outstanding issues identified in the EA submissions impact these factors.<sup>67</sup> MNO submitted that the EA submissions detailed a number of deficiencies in the Project which include, among other things, mitigating the impact to

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<sup>&</sup>lt;sup>66</sup> <u>Chapter 4 Filing Requirements for Electricity Transmission Applications</u>, 4.2.2 Related Approvals, pp. 11-12, March 16, 2023.

<sup>&</sup>lt;sup>67</sup> MNO submission, p. 12.

affected Métis communities, fish habitats, harvesting rights, noise, air quality, and wildlife.<sup>68</sup> MNO submitted that many of the deficiencies outlined in the EA submissions relate to outstanding environmental impact mitigation efforts which have the potential to significantly affect the costs and the delivery of electricity related to the Project.<sup>69</sup>

In response, Hydro One stated that there is no evidence in this proceeding that the mitigation efforts to address the environmental concerns raised by MNO will exceed the Project's estimated line and station contingency amount of \$123.6 million in recognition of potential risks including approvals, permits and authorizations.<sup>70</sup> Hydro One added that ratepayers are protected because the recovery of Project capital expenditures will be subject to prudence review as part of a future revenue requirement application.

#### **Findings**

The OEB finds that none of the environmental mitigation concerns are sufficiently relevant to the OEB's consideration of price, reliability and quality of electricity service in the approval of this application.

The OEB notes that the approval of this application is subject to a number of conditions, one of which is that Hydro One obtains all necessary approvals, permits, licences, certificates, agreements and rights required to construct, operate and maintain the Project. Hydro One identified one of the top three Project risks as "approvals, permits and authorizations". As determined in section 4.3.2 (Contingency Costs) of this Decision and Order, the prudence of using any of the estimated contingency cost should be examined by the OEB at the appropriate future revenue requirement proceeding after the Project is completed. This should include any utilization of the Project contingency associated with the EA process.

#### 4.3.5 Overall Costs

#### Future Ownership of Transmission Line

The application stated the transmission line facilities comprising the Project will become owned by a future limited partnership that will offer a 50% equity stake to nine First Nation partners. Intervenor GLP<sup>71</sup> represents eight of the nine First Nations partnering

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<sup>&</sup>lt;sup>68</sup> MNO submission, pp. 10-11.

<sup>&</sup>lt;sup>69</sup> MNO submission, p. 12.

<sup>&</sup>lt;sup>70</sup> Reply submission, p. 21.

<sup>&</sup>lt;sup>71</sup> The Gwayakocchigewin Limited Partnership First Nations include Wabigoon Lake Ojibway Nation, Eagle Lake First Nation, Lac La Croix First Nation, Fort William First Nation, Seine River First Nation, Lac Seul First Nation, Nigigoonsiminikaaning First Nation, and the Ojibway Nation of Saugeen.

with Hydro One on the Project, with the ninth partner being Lac des Mille Lacs First Nation, also an intervenor in this proceeding.

At the time the application was submitted to the OEB, the formation and structuring of the limited partnership had not been finalized, and hence, commercial details of the partnership were not provided. Hydro One stated that any limited partnership agreement is not anticipated to impact the cost estimate of the Project.<sup>72</sup>

Hydro One has not requested any deferral accounts to be established, however, it has indicated that until the limited partnership is formed, line work costs associated with the construction of the Project will reside in the OEB-approved Affiliate Transmission Projects (ATP) regulatory account<sup>73</sup> and will not form part of Hydro One's rate base.

#### Comparator Transmission Projects

For the line work, Hydro One referenced four recent double-circuit 230 kV line projects in Ontario. Hydro One constructed three of the four projects (Hawthorne to Merivale, <sup>74</sup> Powering South Nepean <sup>75</sup> and Woodstock Area Transmission Reinforcement Projects <sup>76</sup>), while the fourth, the East-West Tie (EWT) Project, <sup>77</sup> was constructed by Upper Canada 2 Transmission Inc. Hydro One stated that these projects were chosen as comparators because they are 230 kV double-circuit transmission lines, they utilize similar conductor types, and they are either completely or predominantly built using steel lattice structures. <sup>78</sup>

In the pre-filed evidence, Hydro One stated that the total project costs on a per km of line basis for the comparator projects were between \$2.4 million and \$4.1 million, while the Project is estimated to cost \$2.6 million per km. In a response to an interrogatory, <sup>79</sup> Hydro One provided revised analysis for the EWT project with varying adjustments that produced unit costs per km of line of \$2.2 million, \$2.5 million and \$2.8 million. The adjustments were in response to a request by OEB staff to re-calculate the cost per unit km value for the EWT project with Covid-19-related costs discounted. The calculation

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<sup>&</sup>lt;sup>72</sup> Interrogatory response to OEB Staff 2.

<sup>&</sup>lt;sup>73</sup> EB-2021-0169.

<sup>&</sup>lt;sup>74</sup> EB-2020-0265.

<sup>&</sup>lt;sup>75</sup> EB-2019-0077.

<sup>&</sup>lt;sup>76</sup> EB-2007-0027.

<sup>&</sup>lt;sup>77</sup> EB-2017-0182.

<sup>&</sup>lt;sup>78</sup> Exhibit B, Tab 7, Schedule 1, p. 8.

<sup>&</sup>lt;sup>79</sup> Interrogatory response to OEB Staff 12(c).

which produced a \$2.2 million per km value was the only analysis that discounted the costs related to Covid-19.

Hydro One's rationale for the higher project costs included global procurement challenges as well as increases in the price of essential commodities and supply chain shortages that have led to increases in costs for equipment purchased to construct transmission lines.<sup>80</sup>

In its Argument-in-Chief, Hydro One stated that the line portion of the Project is on the lower end of the per km costs of comparable transmission lines. Hydro One stated that the Project cost of \$2.6 million per km included in the pre-filed evidence is similar to the EWT transmission line forecasted total costs of \$2.4 million per km, and less than the other comparable Hydro One scoped projects (ranging between \$3.3 million and \$4.1 million per km).<sup>81</sup>

OEB staff submitted that the line portion of the Project costs appear to be \$144 million higher than that of the EWT project when considering costs on a per unit km basis. OEB staff recommended that these costs be subject to further review in the Project's cost-based transmission revenue requirement proceeding. OEB staff further submitted that the EWT project is the only fair comparator due to the other three comparator projects being notably shorter in length compared to both the Project and the EWT project.

In its reply submission, Hydro One submitted that its line cost estimate is based upon a robust, arms-length, two-year competitive bid process ending in 2022 which reflects current market conditions and best available pricing information. Hydro One stated that OEB staff's reliance on project comparators constructed either before or throughout Covid-19 should not override the actual results Hydro One has contracted and which it is relying on to substantiate its Project line cost estimate.

Hydro One stated that the Project has been determined to be a priority transmission project for which the IESO has provided a finite in-service date.<sup>82</sup> Hydro One submitted that it would be placed in the unenviable position of trying to find ways to mitigate the financial risks inherent to a future potential \$144 million capital cost disallowance.<sup>83</sup>

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<sup>&</sup>lt;sup>80</sup> Exhibit B, Tab 7, Schedule 1, p. 10; Interrogatory response to OEB Staff 8(b).

<sup>&</sup>lt;sup>81</sup> Argument-in-Chief, p. 18.

<sup>82</sup> Reply submission, p. 4.

<sup>83</sup> Reply submission, p. 4.

#### **Findings**

The OEB finds that the Project's estimated cost falls within an acceptable range in the cost per km of comparator transmission line projects recently completed in Ontario and provided by Hydro One in its evidence.

In addition, the OEB is satisfied that the estimated cost of the fixed price EPC contract, which represents a significant percentage of the total Project cost, was determined through a competitive RFP process using Hydro One's ECI-EPC contracting model which included two years of early contractor involvement. This ECI-EPC contracting model would likely result in a competitive contract price with a higher degree of certainty.

#### 4.4 Impact on Price of Electricity Service

Hydro One stated that all Project costs will be included in the network connection pool and that no customer contributions in aid of capital will be required because the Project is not driven by any specific customer load application.<sup>84</sup>

The application stated that the Project will increase the load meeting capability of the region and release constraints on transfers into the region. Hydro One estimated that the Project will result in a potential growth of approximately 206 MW and \$13.3 million in annual incremental network revenue over a 25-year evaluation period using 2023 UTRs. <sup>85</sup>

Hydro One estimated that based on phased in servicing for Phase 1 on December 15, 2025 and Phase 2 on December 15, 2027, the 2023 OEB approved Network rate of \$5.37 kW/month increases to \$5.71 kW/month by year 4, then decreases to \$5.65 kW/month by year 25.

OEB staff submitted that Hydro One's proposed allocation of Project costs to the network connection rate pool is appropriate. OEB staff took no issue with Hydro One's position that no customer contribution is required.

Intervenors did not make submissions on the matter.

<sup>&</sup>lt;sup>84</sup> Exhibit B, Tab 9, Schedule 1, p. 1.

<sup>85</sup> Exhibit B, Tab 9, Schedule 1, p. 1.

#### **Findings**

The OEB finds that the projected transmission rate impacts that will result from the Project are reasonable.

### 4.5 Impact on Reliability and Quality of Electricity Service

Hydro One filed the Final Expedited System Impact Assessment (SIA) prepared by the IESO and the Final Customer Impact Assessment (CIA) prepared by Hydro One.<sup>86</sup>

The SIA concluded that the Project is expected to have no material adverse impact on the reliability of the integrated power system, provided that all requirements in the SIA report are implemented.

In the SIA report, the IESO stated that it recommended that the design of the two new 230 kV circuits between Lakehead TS and Mackenzie TS be revised such that they are configured on double-circuit towers for their entire length to support system reliability and resiliency. The SIA report stated that this area of the province is prone to adverse weather from the spring to fall months, which poses a risk of simultaneous multiple circuit contingencies due to tower sharing. The SIA report also recommended specific equipment replacements and reconfiguring transmission elements at some of the stations.

The CIA concluded that the resulting voltage changes on the area's high-voltage and low-voltage buses are within planning limits and recommended that area customers review the impact of the short circuit change on their facilities.

OEB staff did not have any concerns about the reliability and quality of service associated with the Project.

Intervenors did not make submissions on the matter.

#### **Findings**

The OEB does not have any concerns with the IESO's System Impact Assessment which concluded that the Project will have no material adverse impact on the reliability of the integrated power system. The OEB also has no concerns with Hydro One's Customer Impact Assessment which concluded that the Project will not have any adverse impact on customers with respect to reliability and quality of electricity service.

April 16, 2024

**Decision and Order** 

<sup>&</sup>lt;sup>86</sup> Exhibit F, Tab 1, Schedule 1; Exhibit G, Tab 1, Schedule 1.

## 4.6 Land Matters

Hydro One filed a map of the route of the Project with its application pursuant to section 94 of the OEB Act. Hydro One indicated that the new corridor for the Project is sited alongside an existing Hydro One transmission corridor. Consistent with *Ministry of Municipal Affairs and Housing Provincial Policy Statement*, 2020 under the *Planning Act* Hydro One proposed to use this existing right-of-way to the extent possible.

With respect to non-Indigenous land rights, Phase 1 of the Project will require Hydro One to acquire land rights from approximately 164 directly impacted property owners, consisting of 156 privately held properties, 5 Crown properties, 1 municipally held property and 2 railway crossings. The majority of properties will require Hydro One to acquire easement or fee simple corridor takings, at the property owner's election.<sup>87</sup>

Phase 2 of the Project will require Hydro One to acquire land rights from approximately 97 directly impacted property owners, consisting of 78 privately held properties, 1 federally held property, 7 Crown properties, 7 municipally held properties, 2 Ontario Power Generation properties and 2 railway crossings. Like Phase 1, Phase 2 of the Project will require Hydro One to acquire easement or fee simple corridors on the majority of properties, at the property owner's election. Hydro One stated that the new Project corridor includes a combination of land rights requirements and requested OEB approval of the following:

- Land Use Permits on unpatented Crown Lands (new land rights required)
- Easement or fee simple rights on private, municipally owned, provincially owned and federally owned properties (new land rights required)
- Rail crossing agreements (new land rights required)
- Temporary access and/or construction rights on provincially owned, unpatented Crown and private properties for access roads, temporary work headquarters, laydown areas, and material storage facilities (new land rights required)

The pre-filed evidence listed the different land rights agreements that Hydro One may require, including details on the extent to which the forms of agreement have previously been approved by the OEB in prior proceedings.<sup>89</sup>

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<sup>87</sup> Exhibit E, Tab 1, Schedule 1, pp. 2-3.

<sup>88</sup> Exhibit E, Tab 1, Schedule 1, p. 3.

<sup>89</sup> Exhibit E, Tab 1, Schedule 1, pp. 9-10, Tables 4, 5 and 6.

In an interrogatory response, <sup>90</sup> Hydro One confirmed that all impacted landowners have the option to receive independent legal advice regarding the land agreements, and that it would commit to reimbursing those landowners for reasonably incurred legal fees associated with the review and completion of the necessary land rights including the new form of agreement for early access.

OEB staff submitted that it had no issues or concerns with Hydro One's proposed forms of agreements. OEB staff also noted that many of the agreements are generally consistent with the agreements approved by the OEB through previous proceedings.<sup>91</sup>

OEB staff noted that the route maps submitted by Hydro One meet the OEB's requirements.

## **Findings**

The OEB approves the forms of landowner agreements proposed by Hydro One. The OEB notes that most of these forms have previously been approved by the OEB for similar projects.

## 4.7 Conditions of Approval

The OEB Act permits the OEB, when making an order, to impose such conditions as it considers proper. The OEB has established a set of <u>standard conditions of approval for</u> transmission Leave to Construct applications.

OEB staff proposed that the leave to construct order in this proceeding be made subject to the standard conditions of approval.

MNO submitted that, if the OEB approves the application, approval should be subject to the Environmental Assessment (EA) being approved, Hydro One obtaining all other applicable approvals, and after any applicable appeal routes from interested parties have been exhausted.<sup>92</sup>

Hydro One stated that it is common for the approvals for the EA and section 92 application for a transmission project process to occur in parallel rather than in sequence. Hydro One stated that this approach aims to seek regulatory approvals efficiently and thereby allow the Project to be completed in a timely manner. <sup>93</sup>

<sup>&</sup>lt;sup>90</sup> Interrogatory response to OEB Staff 15(a-b).

<sup>&</sup>lt;sup>91</sup> OEB staff submission, p. 23.

<sup>&</sup>lt;sup>92</sup> MNO submission, pp. 4-5.

<sup>&</sup>lt;sup>93</sup> Reply submission, p. 22.

Hydro One submitted that the OEB's standard conditions of approval serve as a safeguard to ratepayers to ensure all regulatory approvals are obtained prior to construction commencing for the Project, including the Final EA approval. Hydro One also noted that the standard conditions of approval also require Hydro One to notify the OEB if there are any material changes to the Project as it is described in the application once the Decision and Order is issued for the application.<sup>94</sup>

## **Findings**

This Decision and Order is subject to the standard conditions of approval attached as Schedule B. These conditions also apply to any future Hydro One affiliate that would own and maintain the Waasigan transmission line. Hydro One had no concerns with these conditions. Regarding MNO's concern about the EA approval, one of the conditions in Schedule B requires Hydro One to obtain all necessary approvals, permits, licences, certificates, agreements and rights which are required to construct, operate and maintain the Project. This would include all necessary EA approvals.

<sup>&</sup>lt;sup>94</sup> Reply submission, pp. 22-23.

## 5 ORDER

## THE ONTARIO ENERGY BOARD ORDERS THAT:

- 1. Hydro One Networks Inc. is granted leave, pursuant to section 92 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B), to construct the Project as described in the application.
- 2. Leave to construct is subject to Hydro One Networks Inc. complying with the Conditions of Approval set forth in Schedule B.
- 3. The OEB approves the proposed forms of agreements that Hydro One Networks Inc. has offered or will offer to each owner of land affected by the Project.
- 4. Eligible intervenors shall file with the OEB and forward to Hydro One Networks Inc. their respective cost claims in accordance with the OEB's Practice Direction on Cost Awards on or before **April 18, 2024**.
- 5. Hydro One Networks Inc. shall file with the OEB and forward to intervenors any objections to the claimed costs of the intervenors on or before **April 25, 2024**.
- 6. If Hydro One Networks Inc. objects to any intervenor costs, those intervenors shall file with the OEB and forward to Hydro One Networks Inc. their responses, if any, to the objections to cost claims on or before **May 2, 2024**.
- 7. Hydro One Networks Inc. shall pay the OEB's costs of, and incidental to, this proceeding upon receipt of the OEB's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's <u>Rules of Practice and Procedure</u>.

Please quote file number, **EB-2023-0198** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the <u>OEB's online filing portal</u>.

 Filings should clearly state the sender's name, postal address, telephone number and e-mail address.

- Please use the document naming conventions and document submission standards outlined in the <u>Regulatory Electronic Submission System (RESS)</u> <u>Document Guidelines</u> found at the <u>File documents online page</u> on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet <u>set up an account</u>, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the <u>File</u> documents online page of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the <u>Practice Direction on Cost Awards</u>.

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Vithooshan Ganesanathan at <a href="https://vithooshan.ganesanathan@oeb.ca">Vithooshan.ganesanathan@oeb.ca</a>, and OEB Counsel, Ljuba Djurdjevic at <a href="mailto:Ljuba.Djurdjevic@oeb.ca">Ljuba.Djurdjevic@oeb.ca</a>.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

**DATED** at Toronto April 16, 2024

### **ONTARIO ENERGY BOARD**

Nancy Marconi Digitally signed by Nancy Marconi Date: 2024.04.16 14:09:15 -04'00'

Nancy Marconi Registrar

# SCHEDULE A DECISION AND ORDER HYDRO ONE NETWORKS INC. EB-2023-0198 APRIL 16, 2024

## SCHEDULE A – WAASIGAN PROJECT MAP HYDRO ONE NETWORKS INC. EB-2023-0198 APRIL 16, 2024



## WAASIGAN TRANSMISSION LINE

### Map Legend

Existing Transformer Station (TS)

--- Preferred Route

Existing Transmission Line

---- Highway

--- International Border

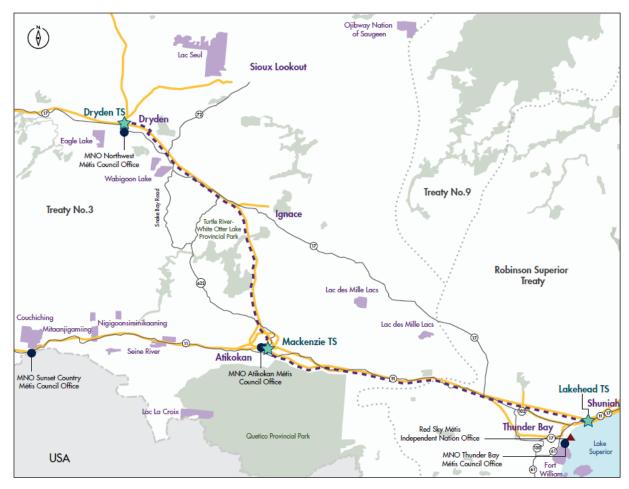
▲ Red Sky Métis Independent Nation Office

Métis Nation of Ontario (MNO) Council Office

· · · · Treaty Boundary

First Nation Reserve

Provincial Park



# SCHEDULE B DECISION AND ORDER HYDRO ONE NETWORKS INC. EB-2023-0198 APRIL 16, 2024

## SCHEDULE B: STANDARD CONDITIONS OF APPROVAL FOR ELECTRICITY LEAVE TO CONSTRUCT APPLICATIONS HYDRO ONE NETWORKS INC. EB-2023-0198

- 1. Hydro One Networks Inc. shall fulfill any requirements of the SIA and the CIA, and shall obtain all necessary approvals, permits, licences, certificates, agreements and rights required to construct, operate and maintain the project.
- 2. Unless otherwise ordered by the OEB, authorization for leave to construct shall terminate 12 months from the date of the Decision and Order, unless construction has commenced prior to that date.
- 3. Hydro One Networks Inc. shall advise the OEB of any proposed material change in the project, including but not limited to changes in: the proposed route, construction schedule, necessary environmental assessment approvals, and all other approvals, permits, licences, certificates and rights required to construct the project.
- 4. Hydro One Networks Inc. shall submit to the OEB written confirmation of the completion of the project construction. This written confirmation shall be provided within one month of the completion of construction.
- 5. Hydro One Networks Inc. shall designate one of their employees as project manager who will be the point of contact for these conditions, and shall provide the employee's name and contact information to the OEB and to all affected landowners, and shall clearly post the project manager's contact information in a prominent place at the construction site.

## **APPENDIX 2**

Waasigan Project Phase 2 Route Map



## WAASIGAN TRANSMISSION LINE

## Map Legend



--- Selected Route Phase 1

- - Selected Route Phase 2

Existing Transmission Line

—— Highway

-- International Border

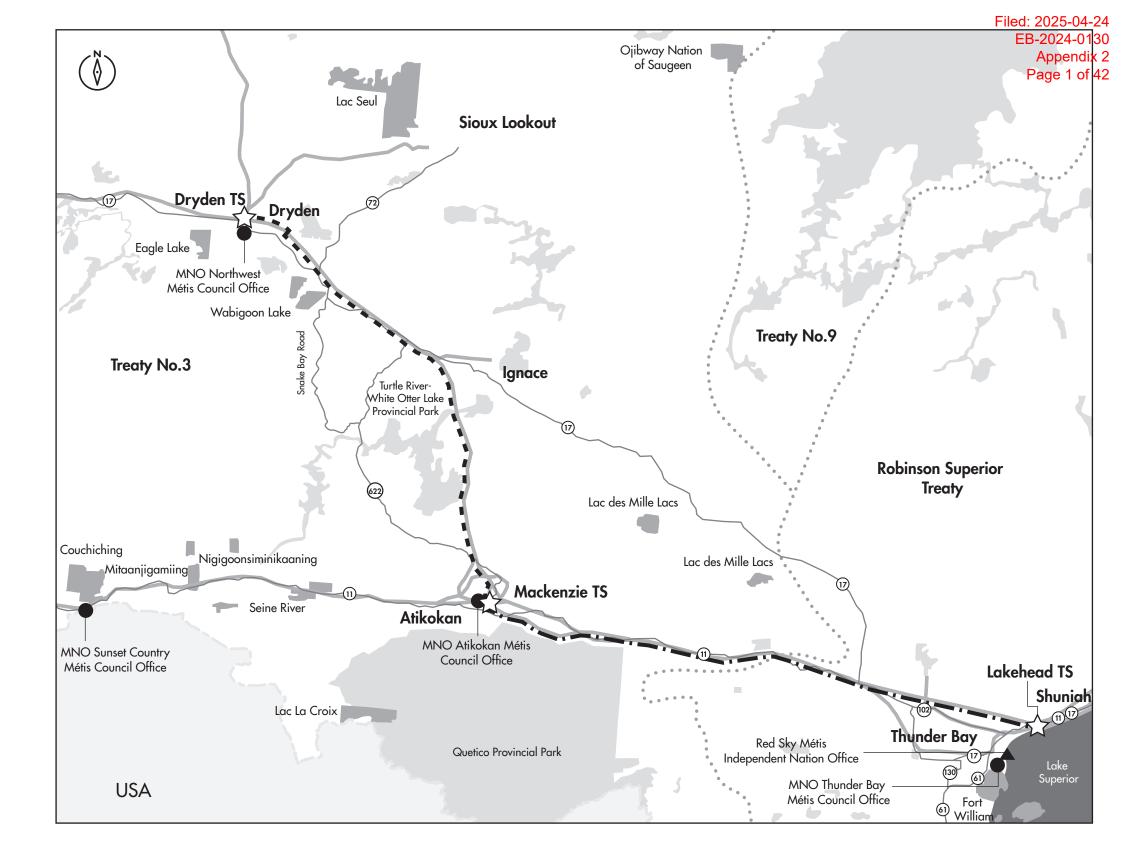
Red Sky Métis Independent Nation Office

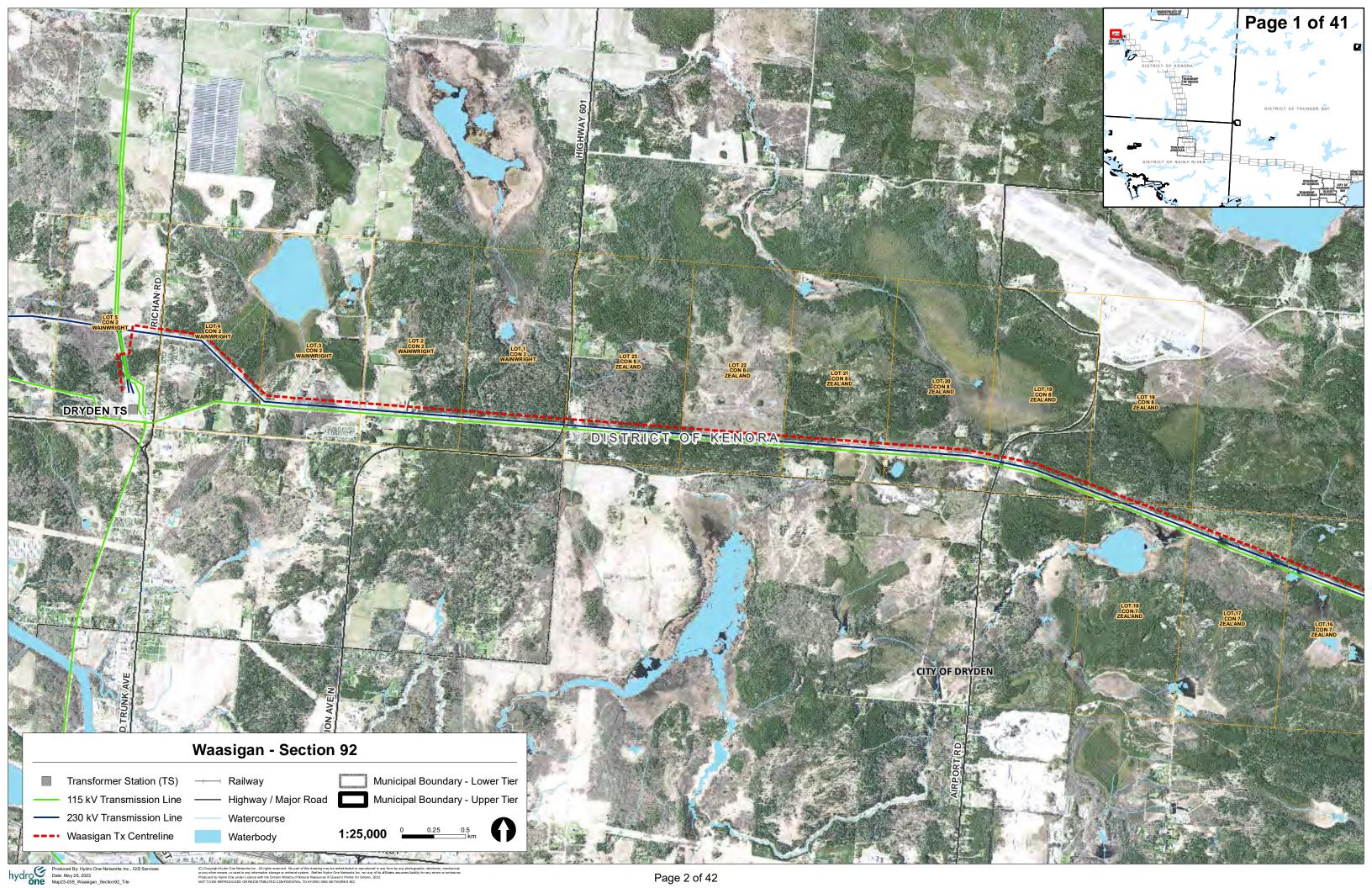
Métis Nation of Ontario (MNO)
 Council Office

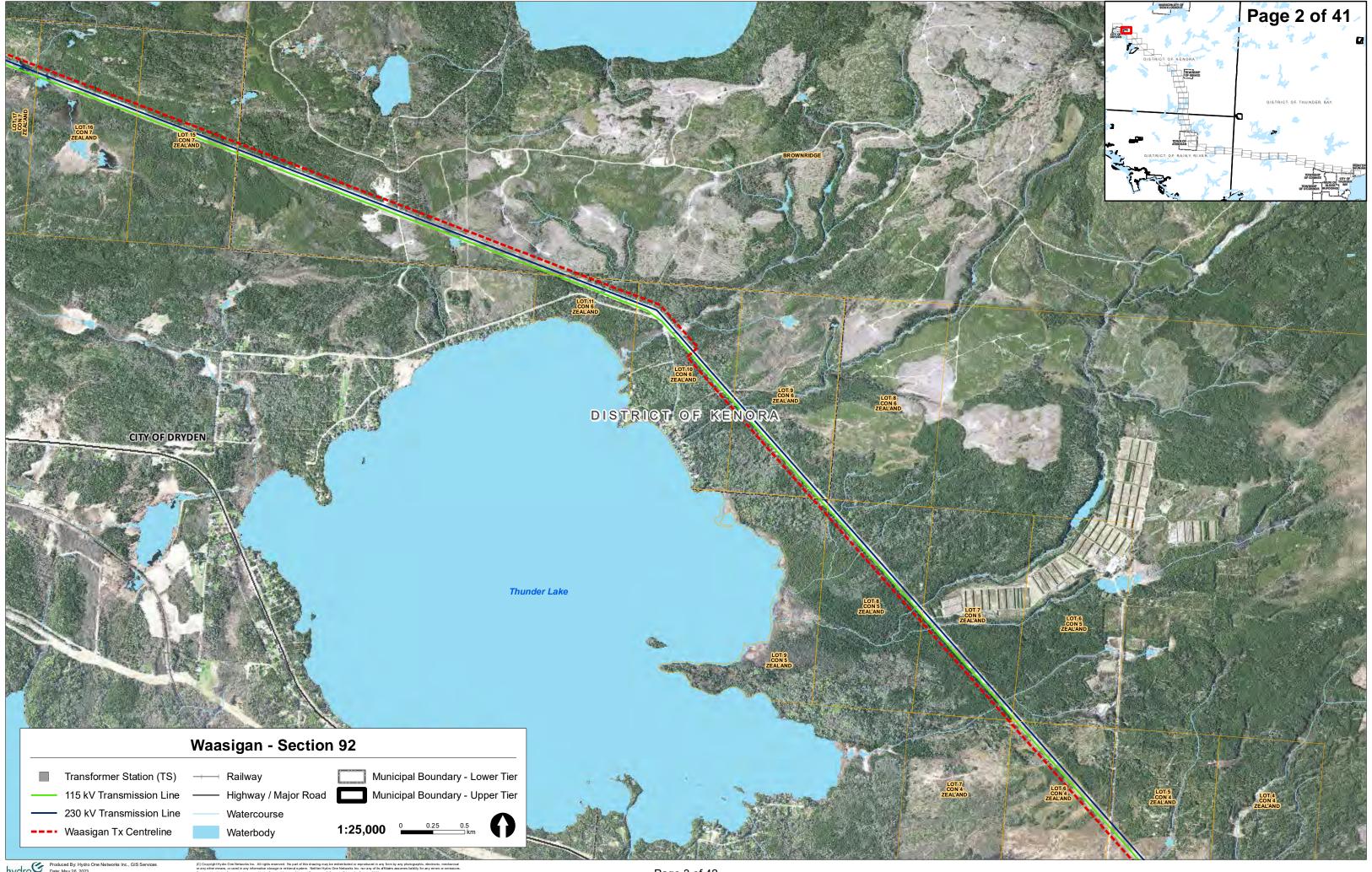
Treaty Boundary

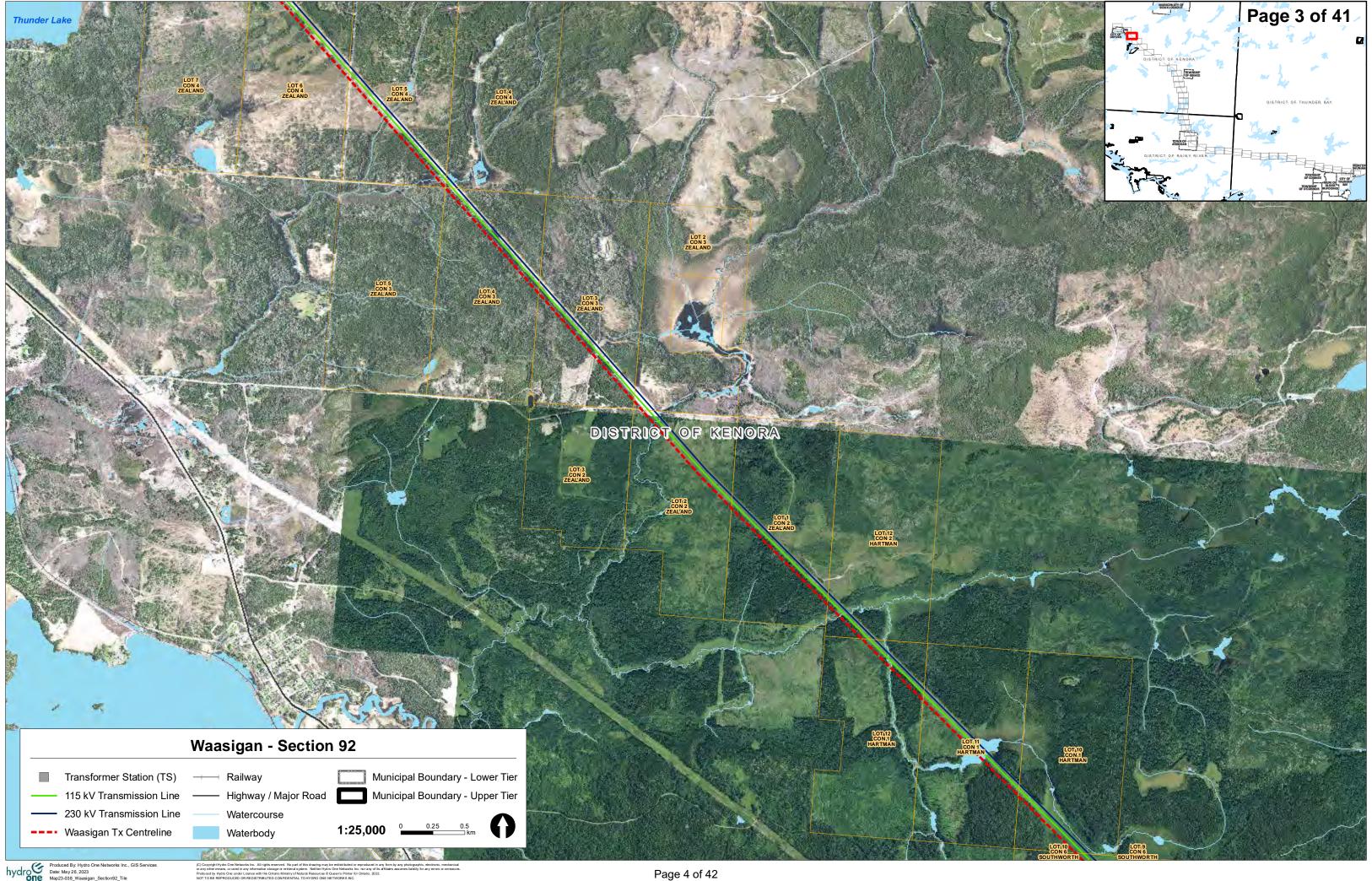
First Nation Reserve

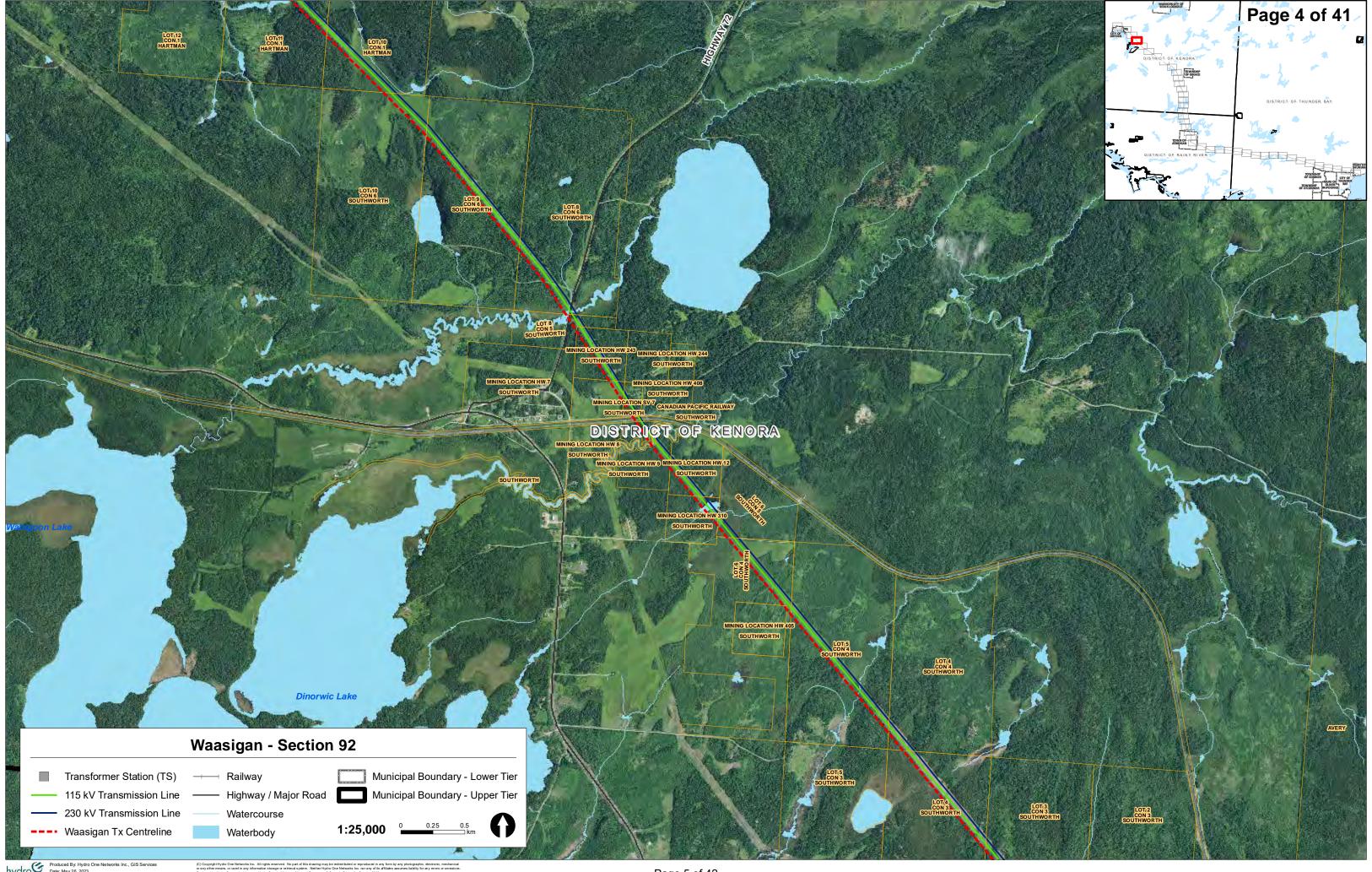
Provincial Park

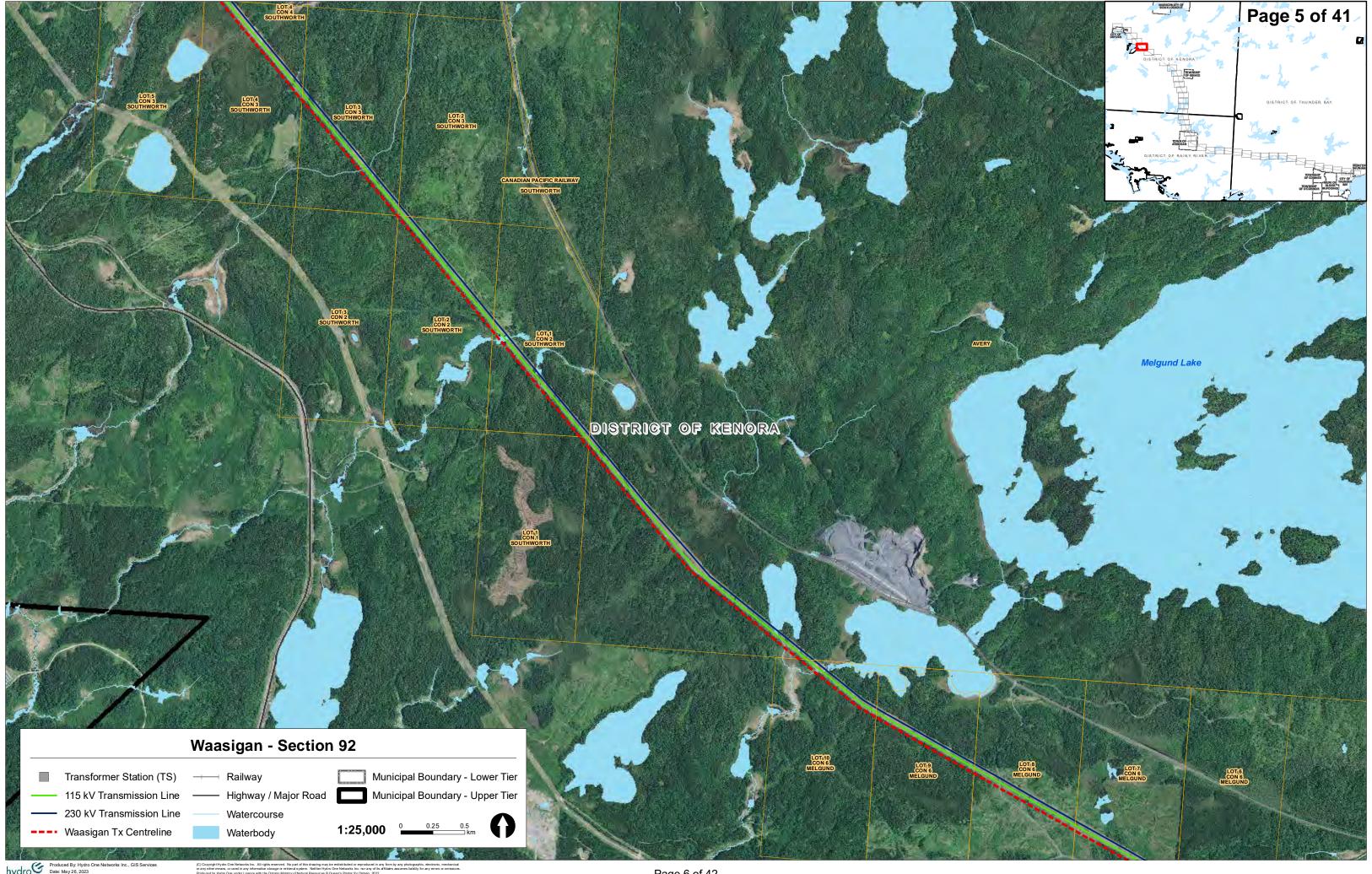


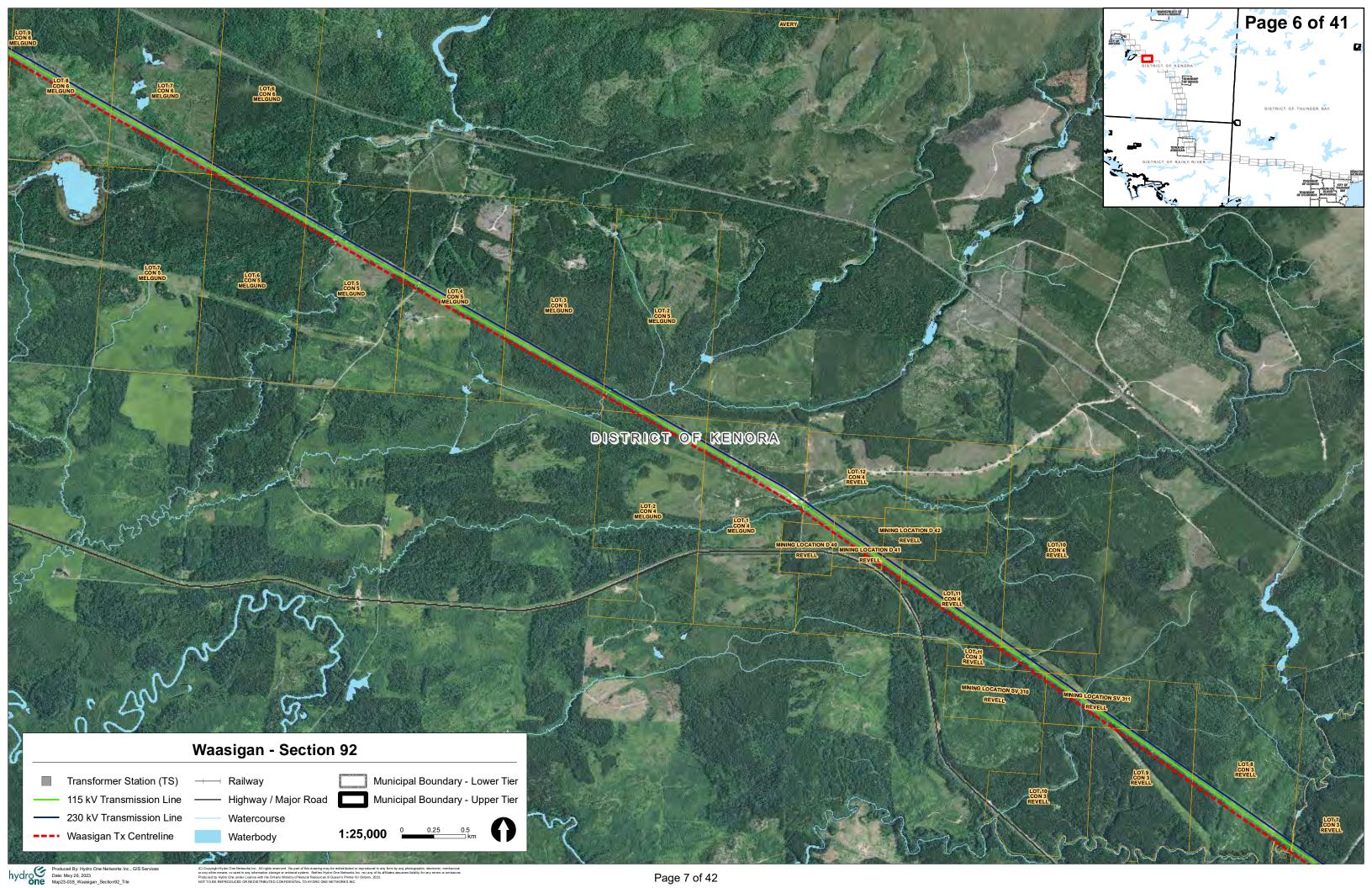


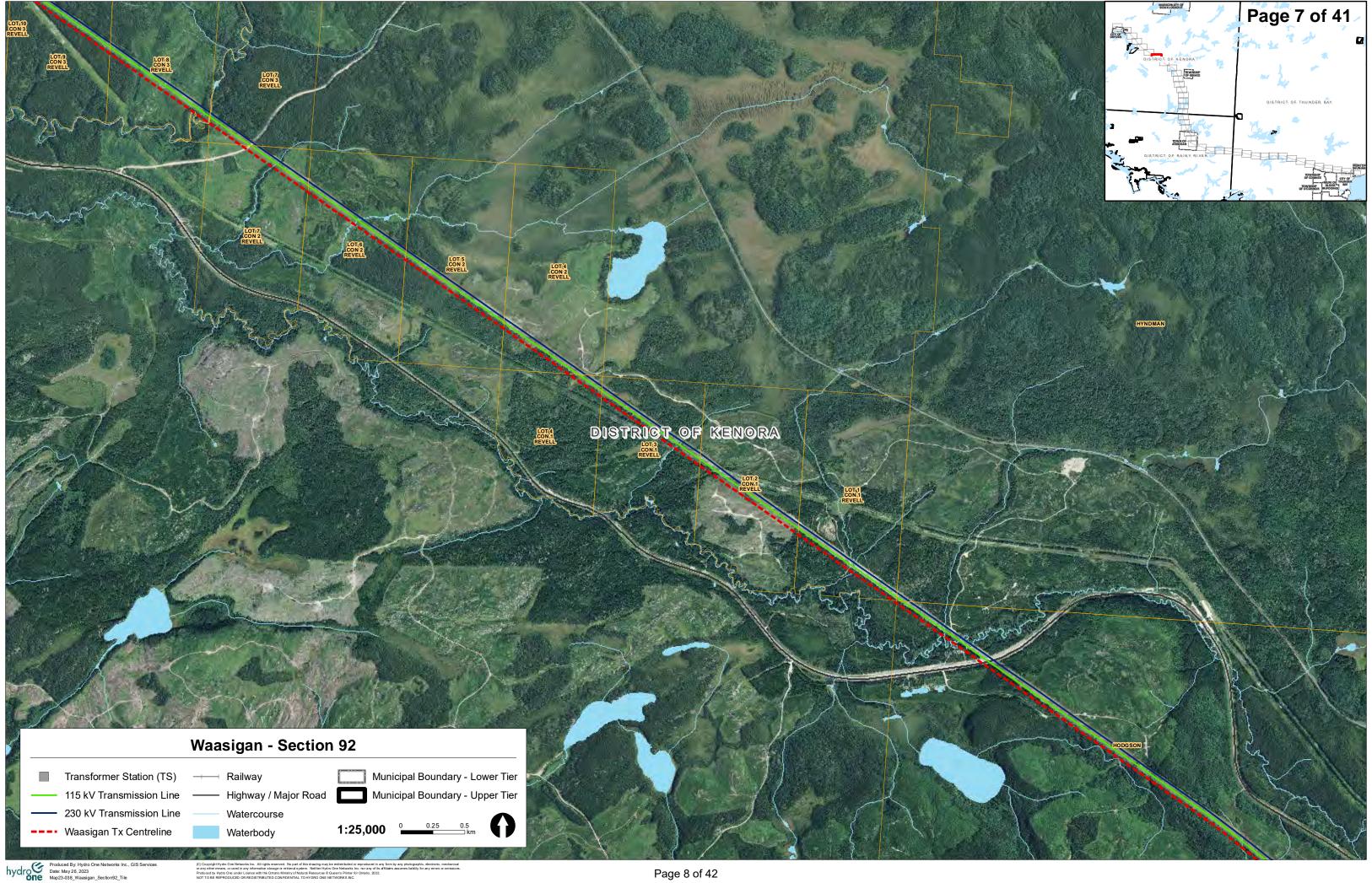


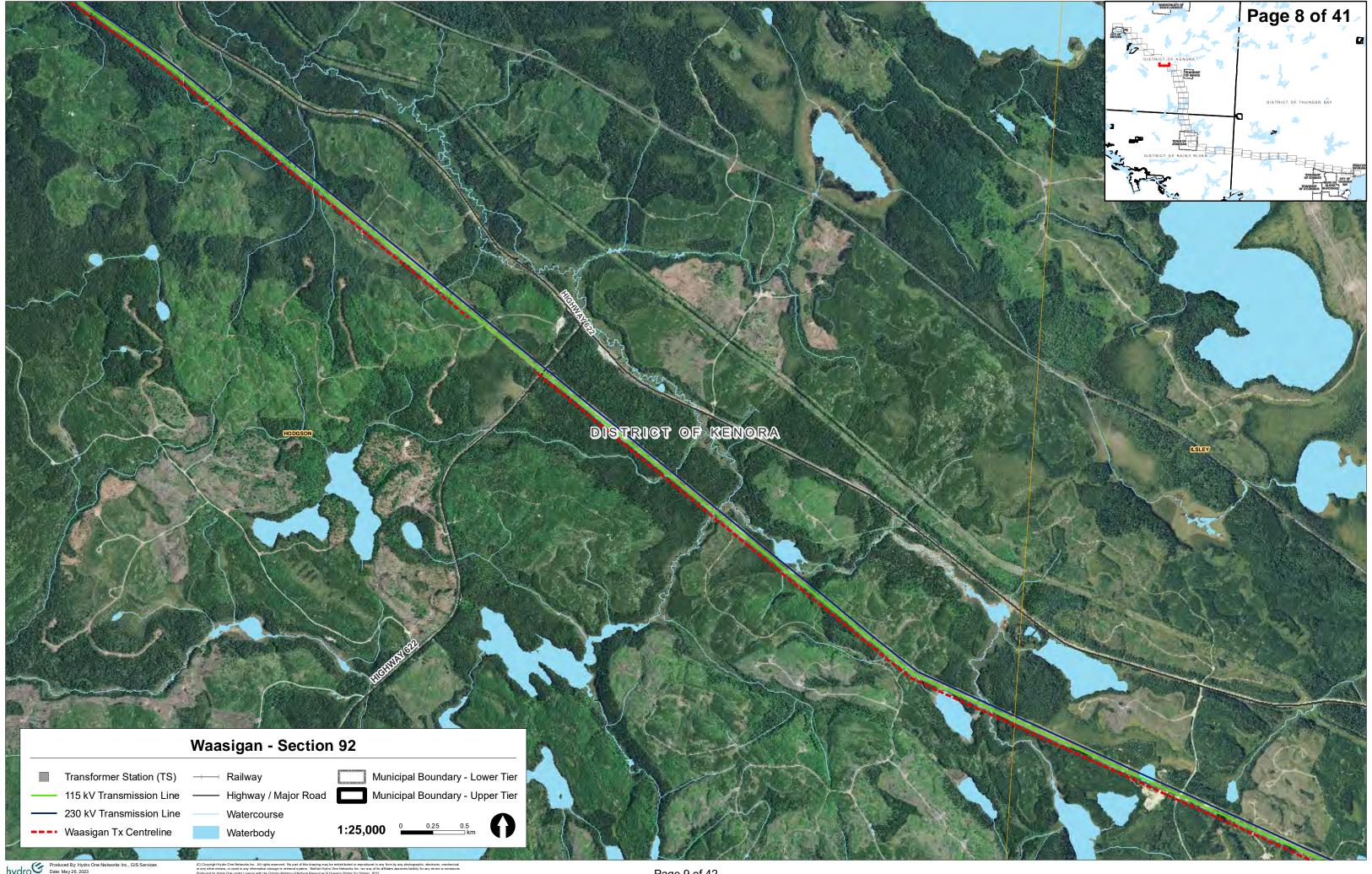


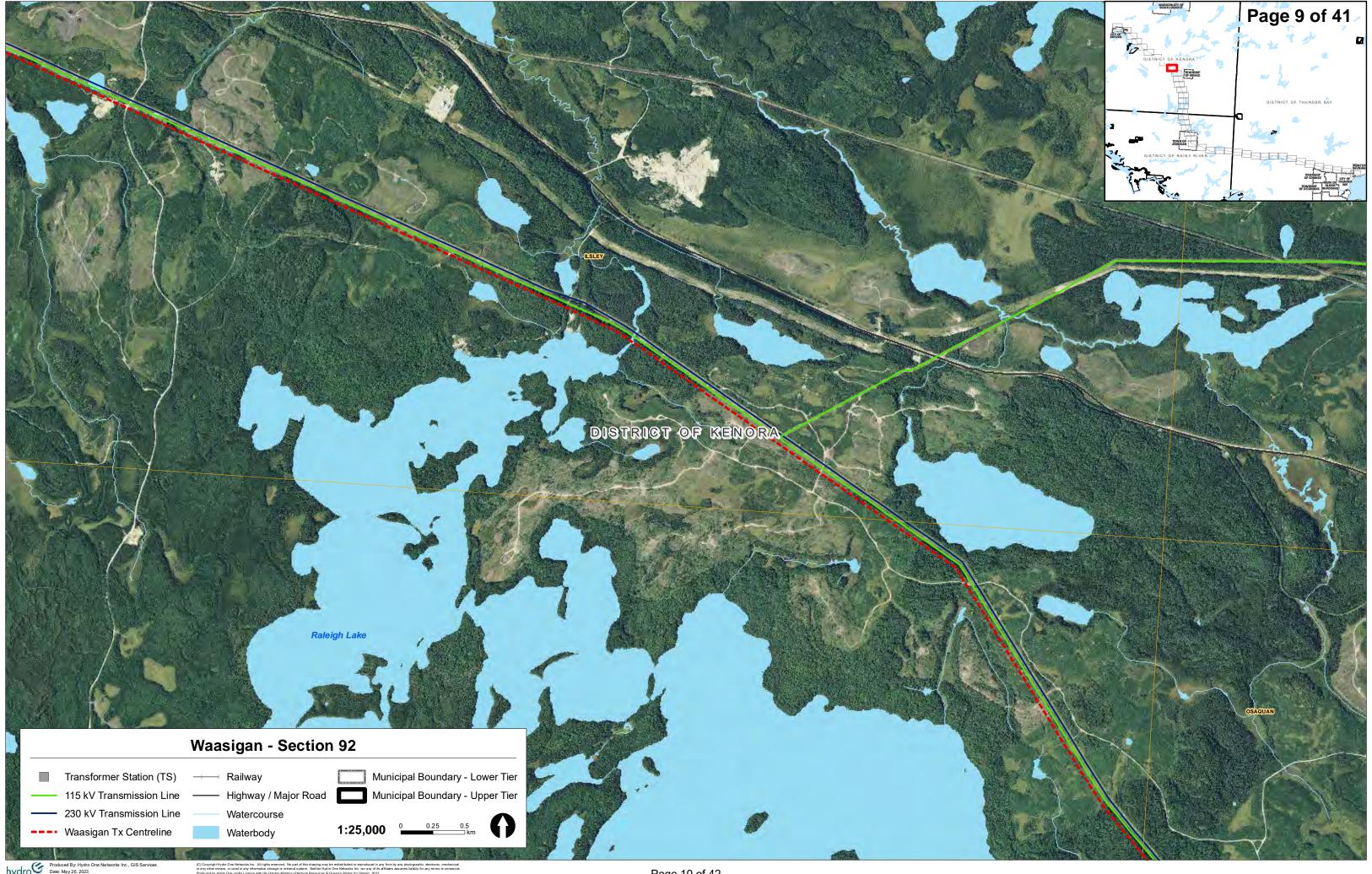


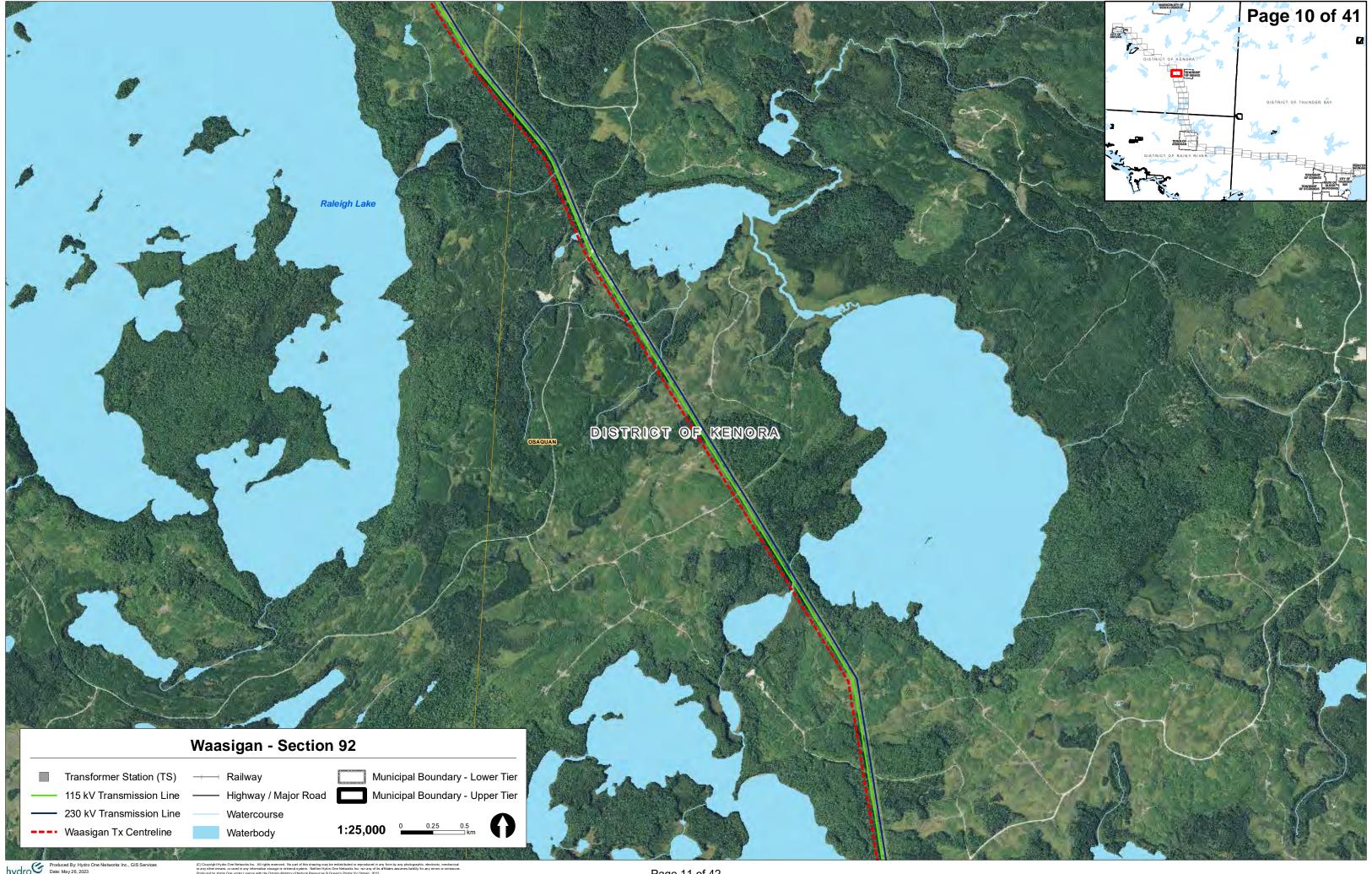


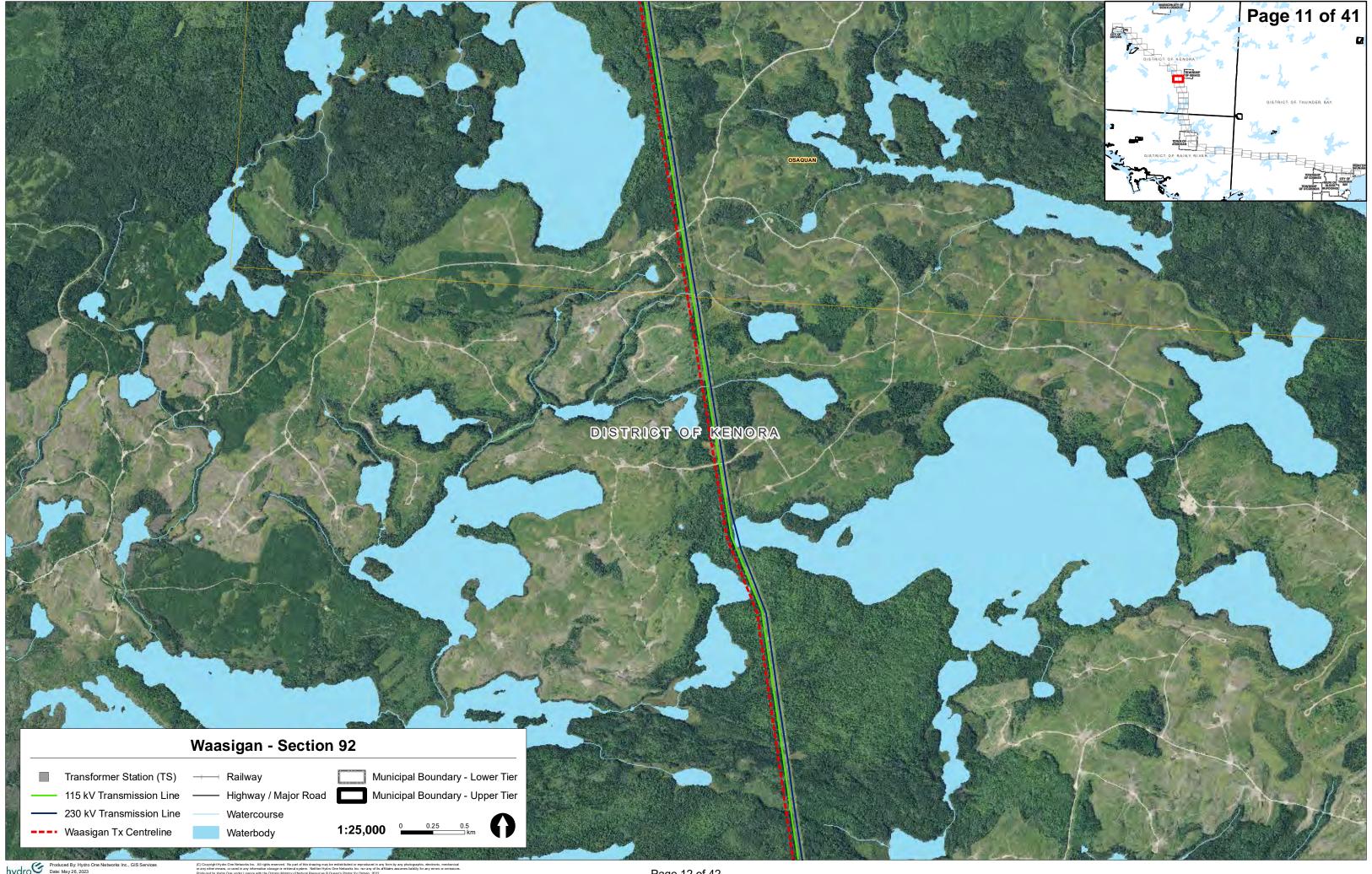


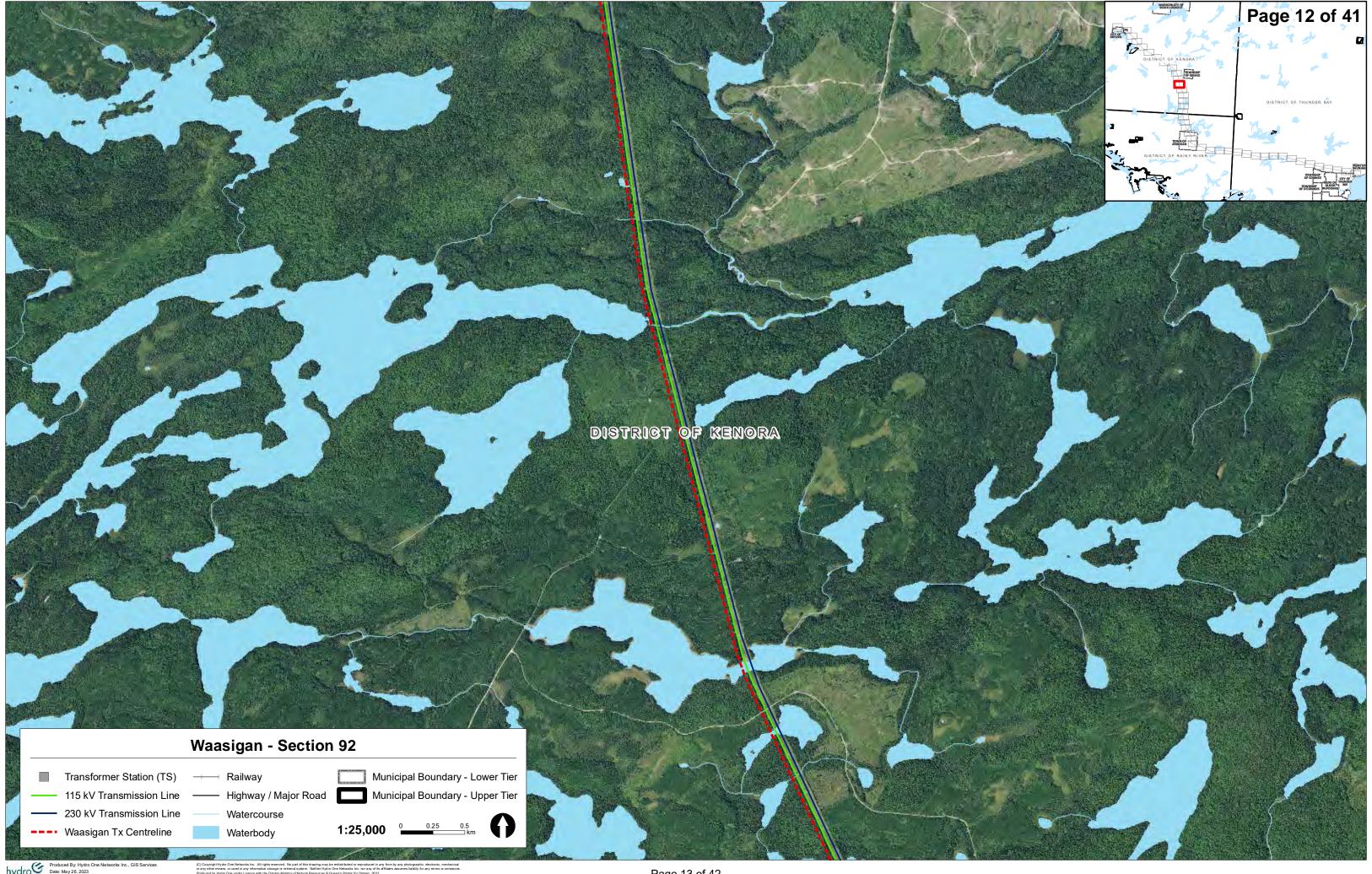


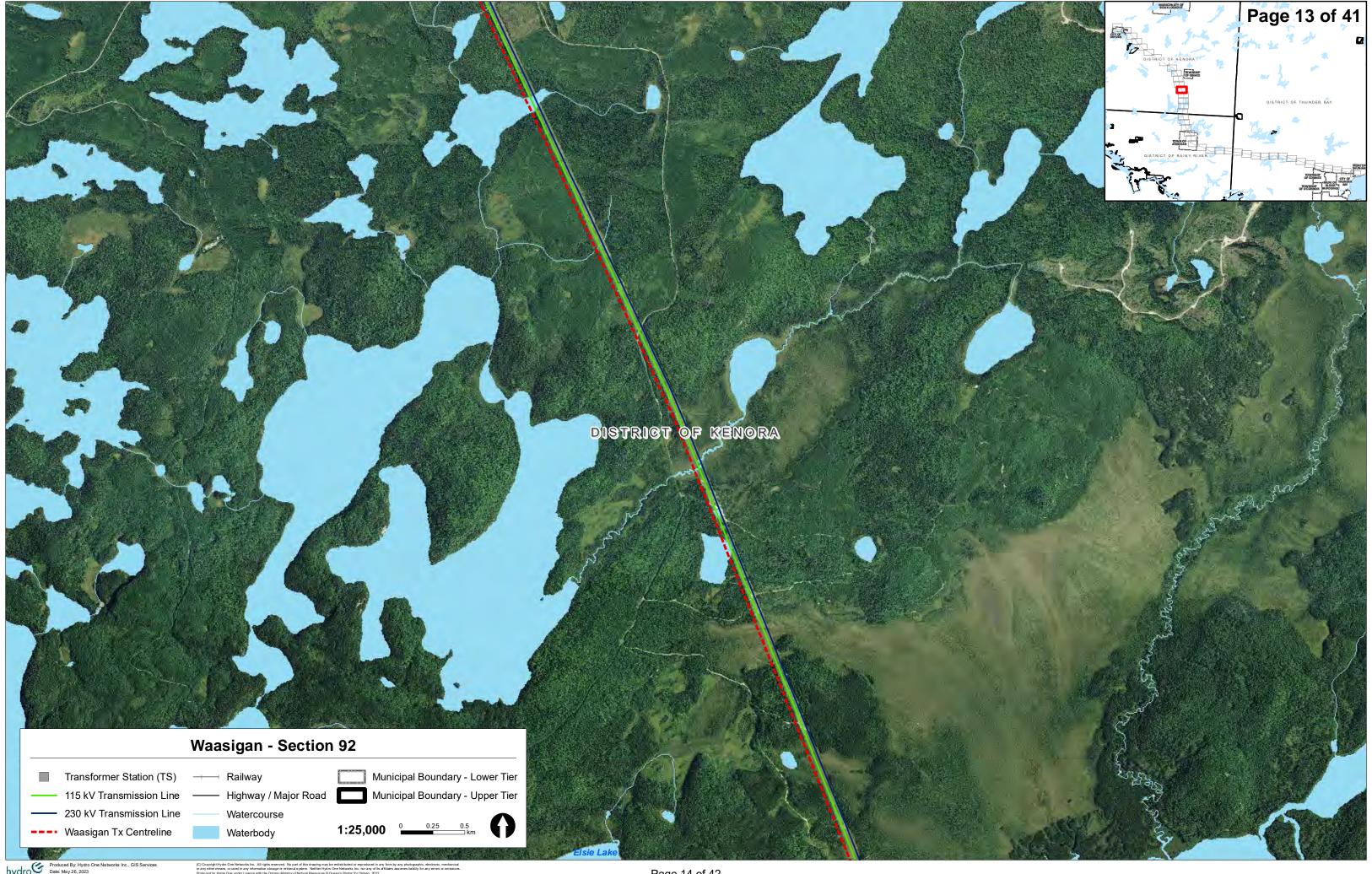


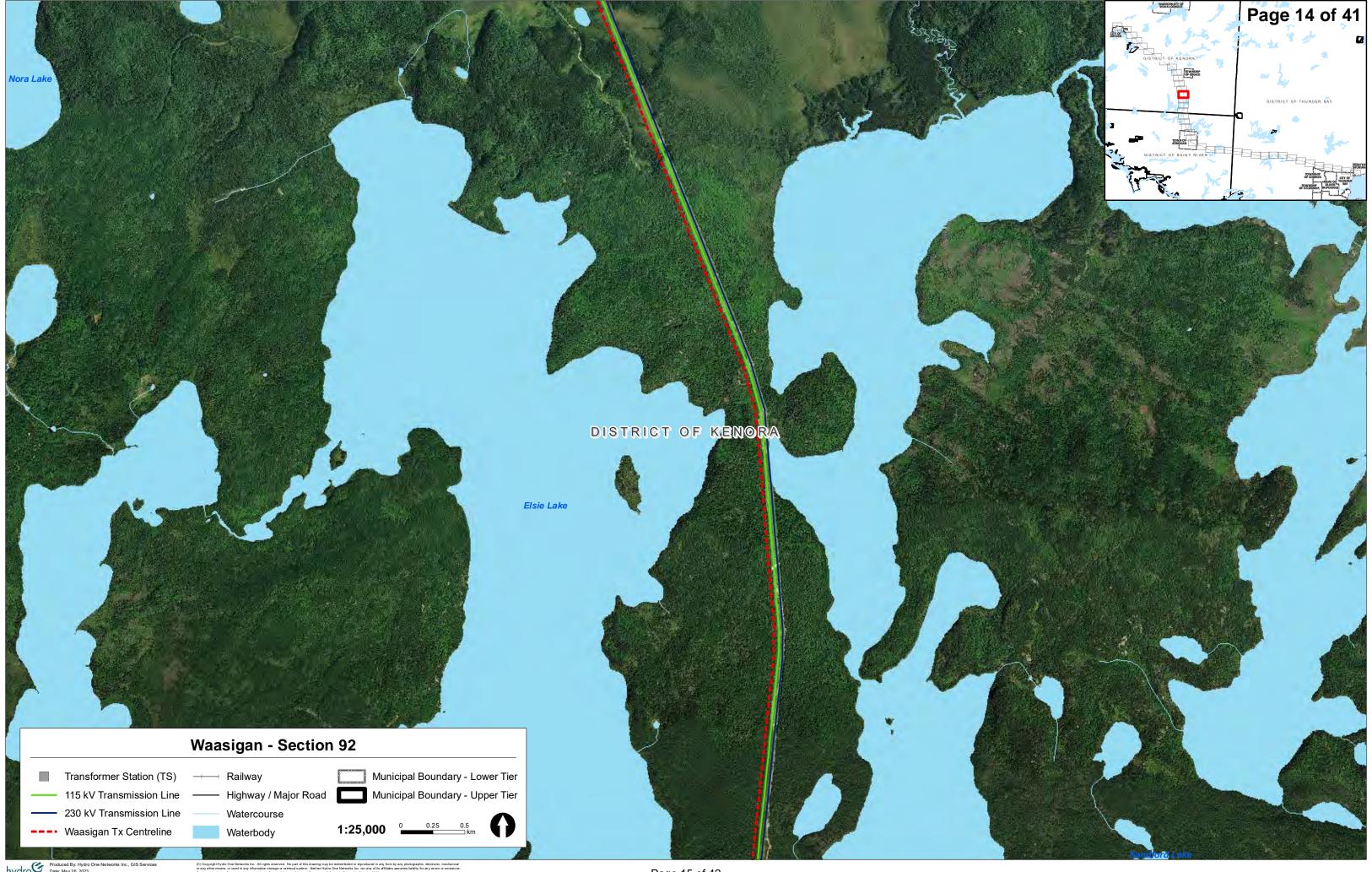


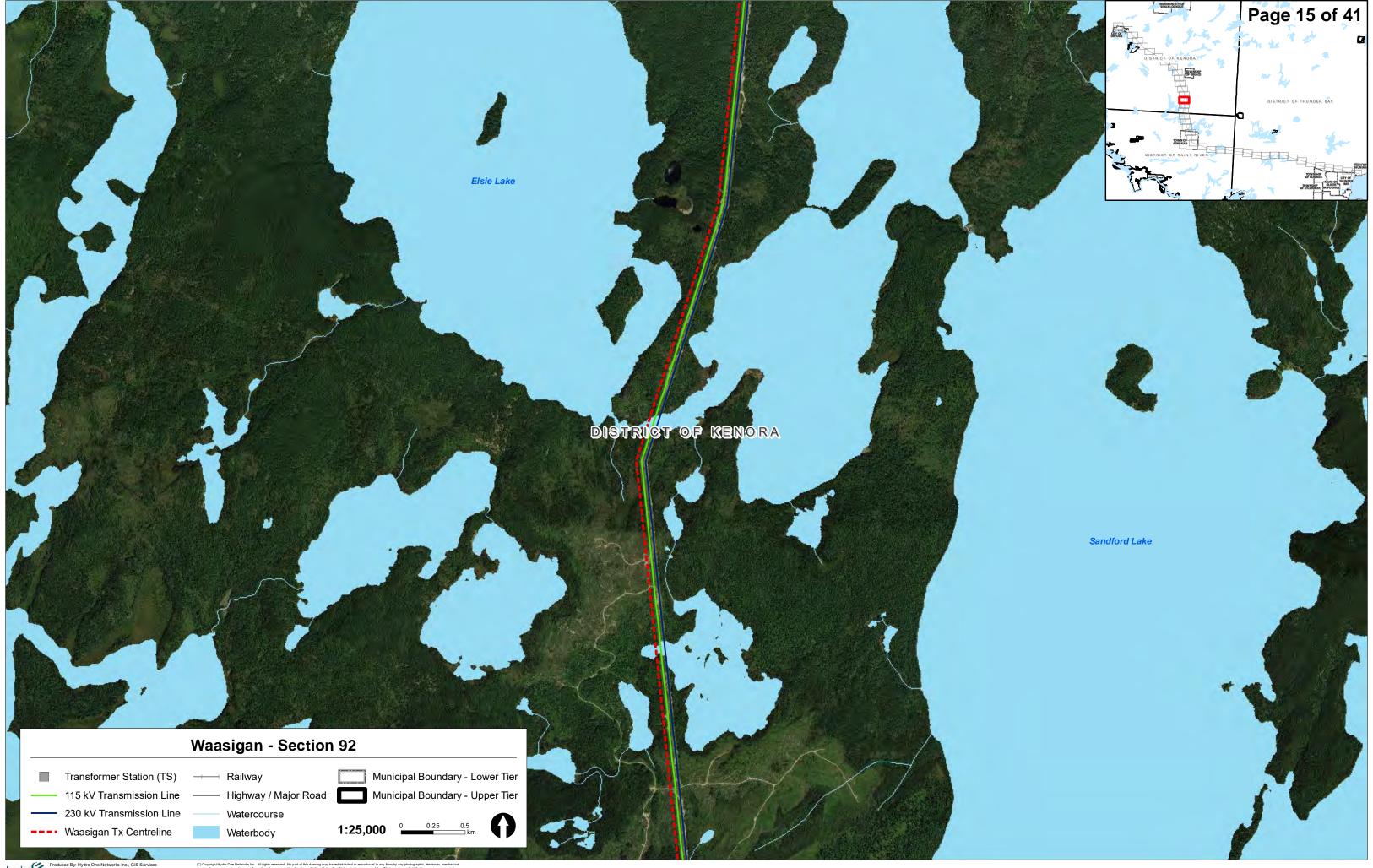


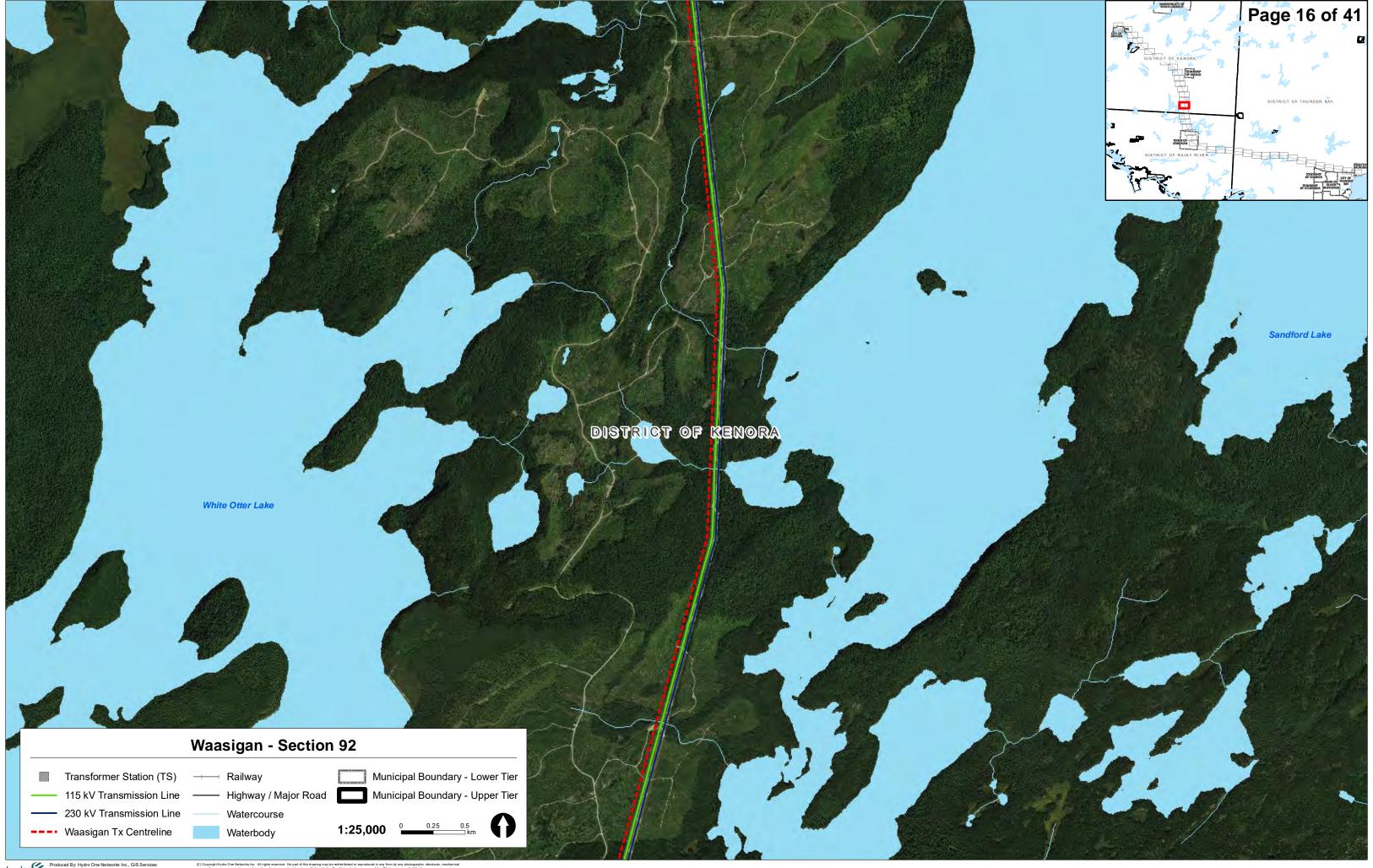




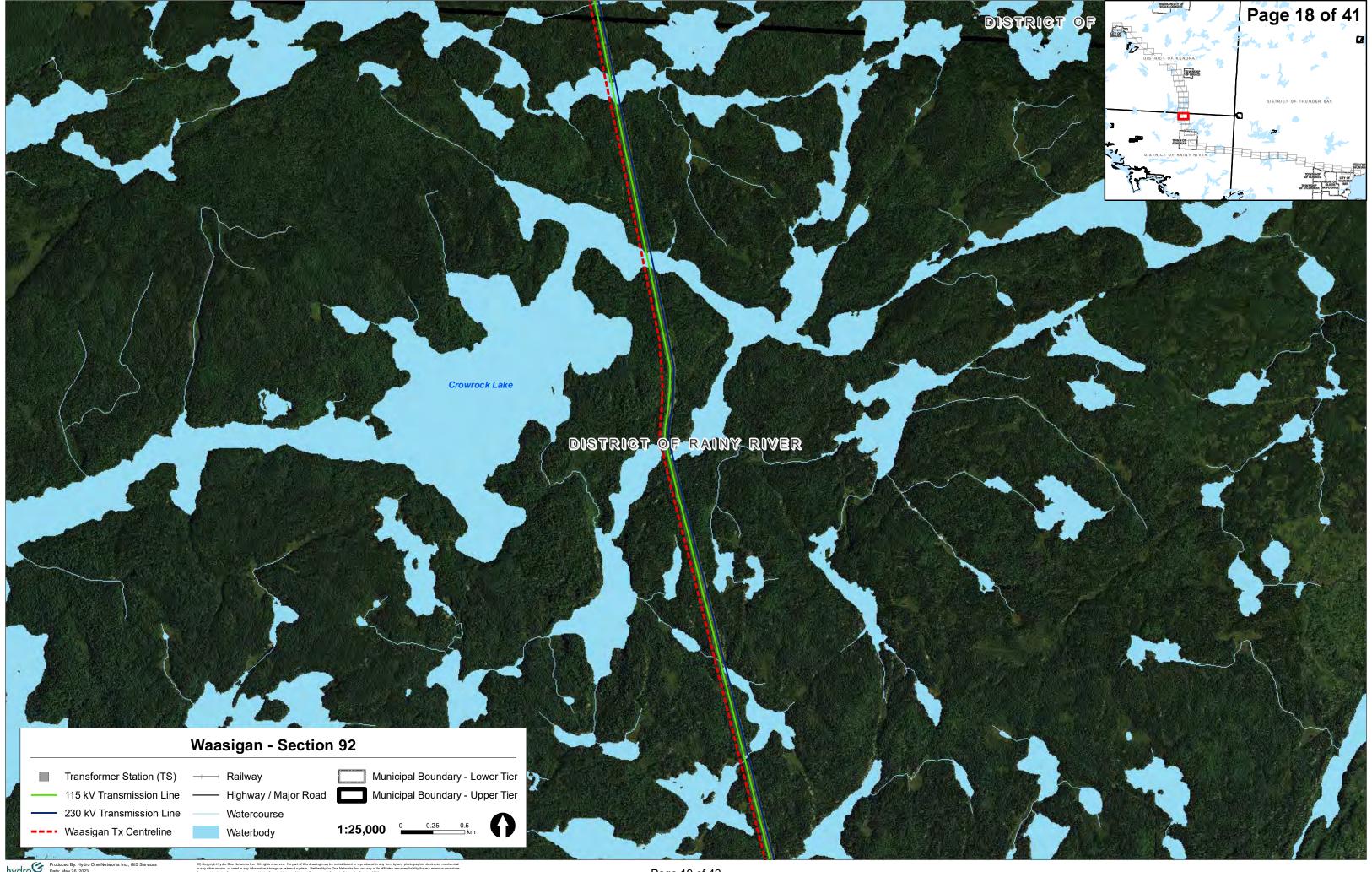


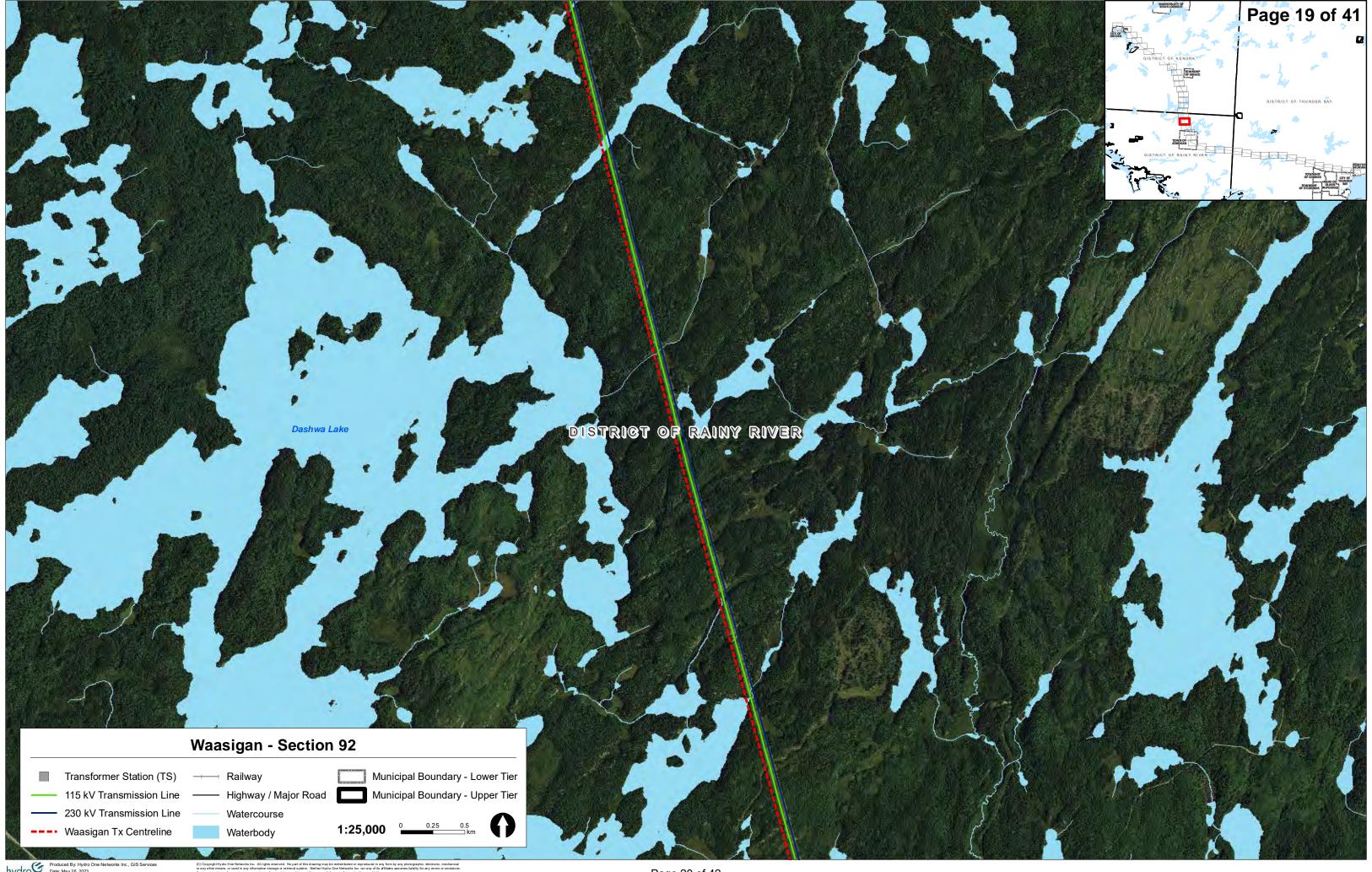


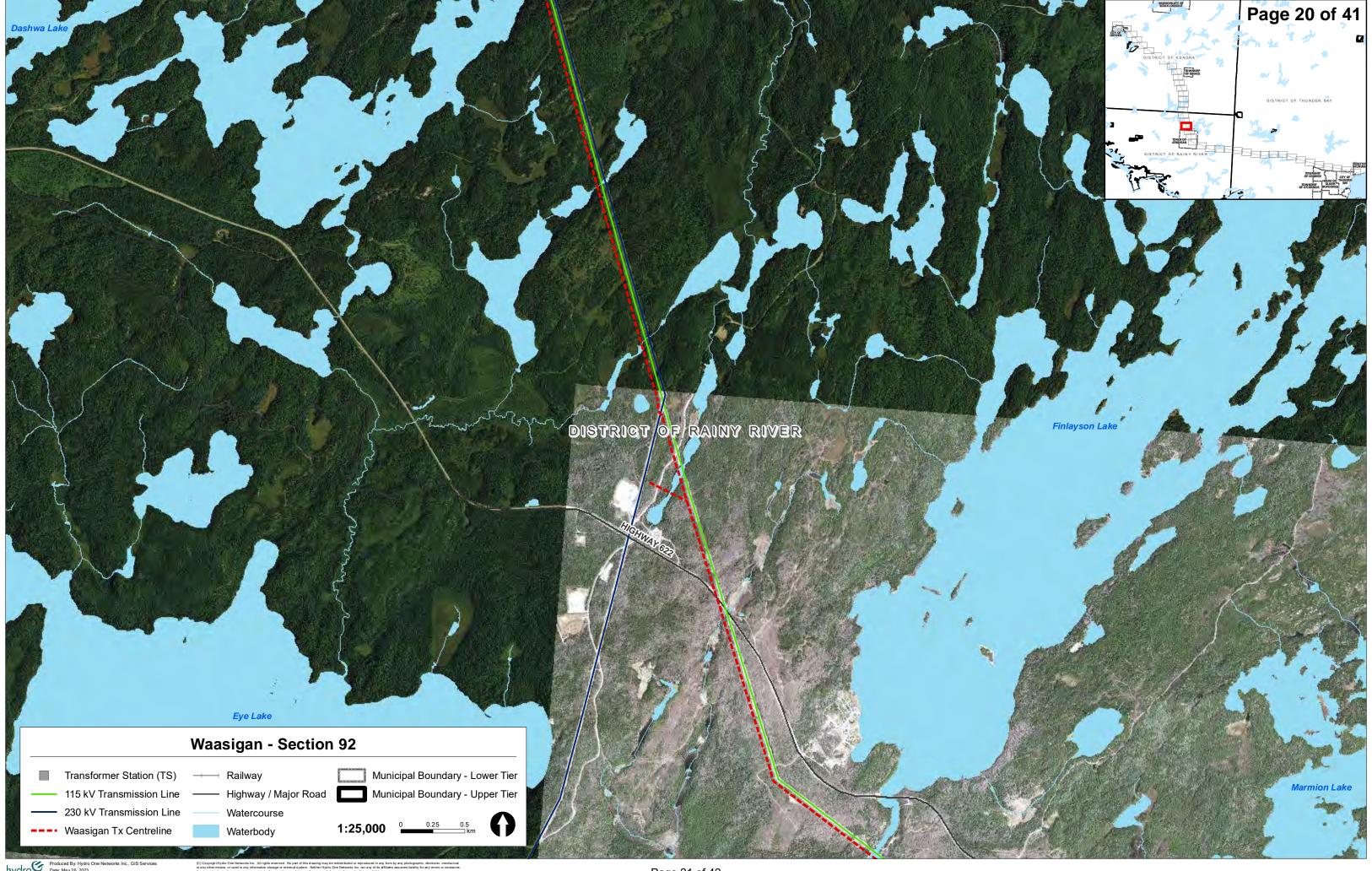


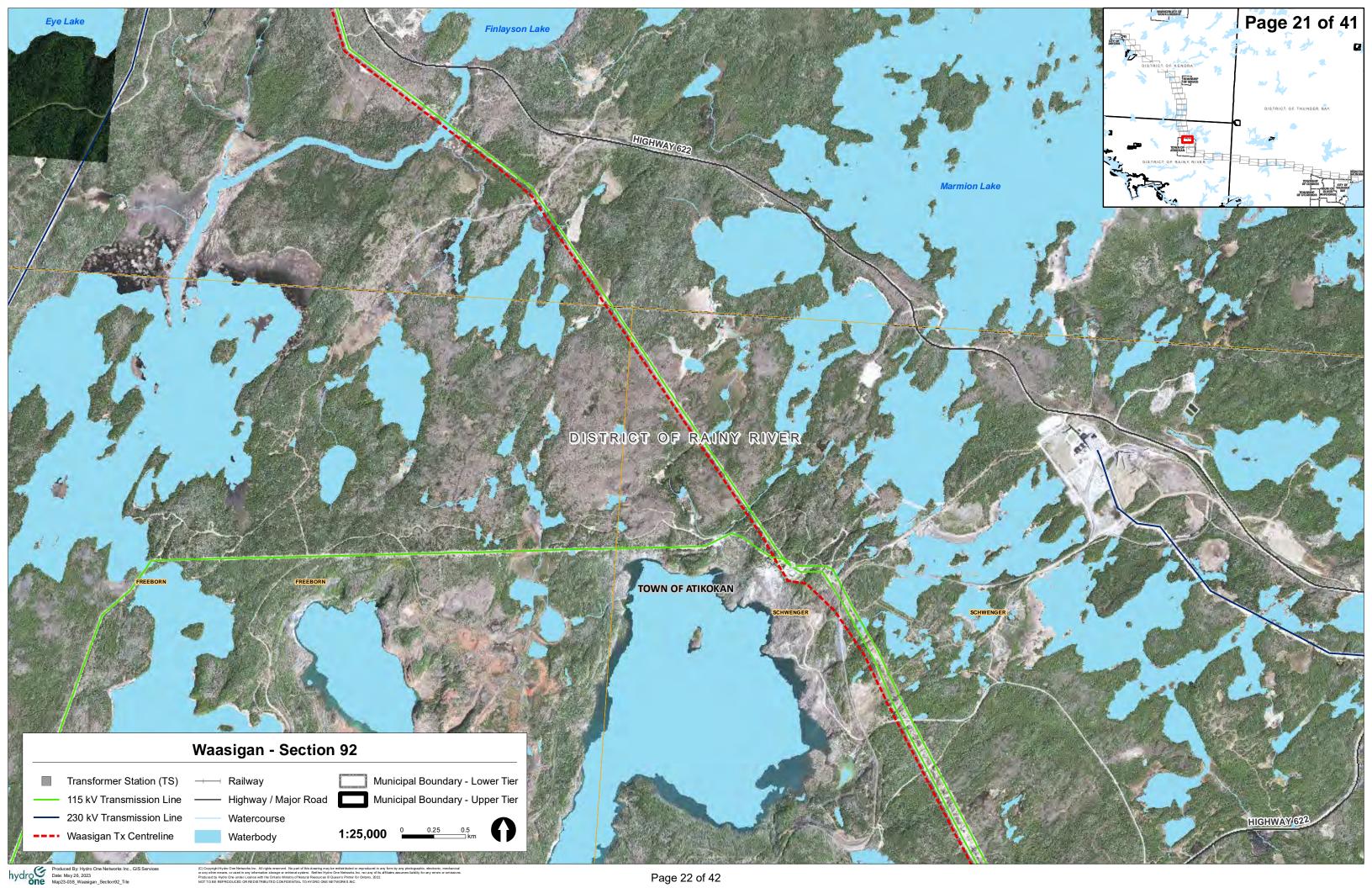


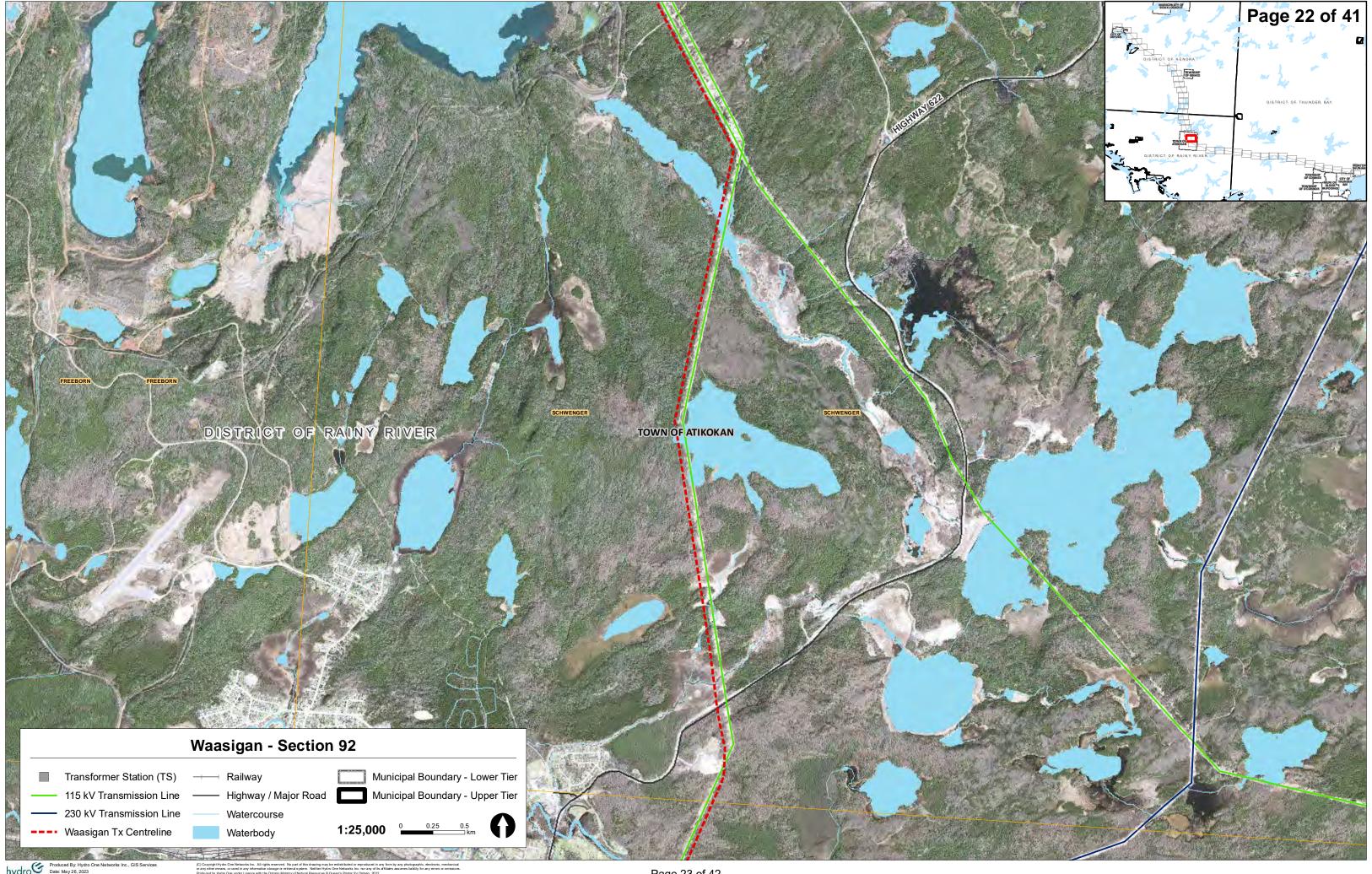


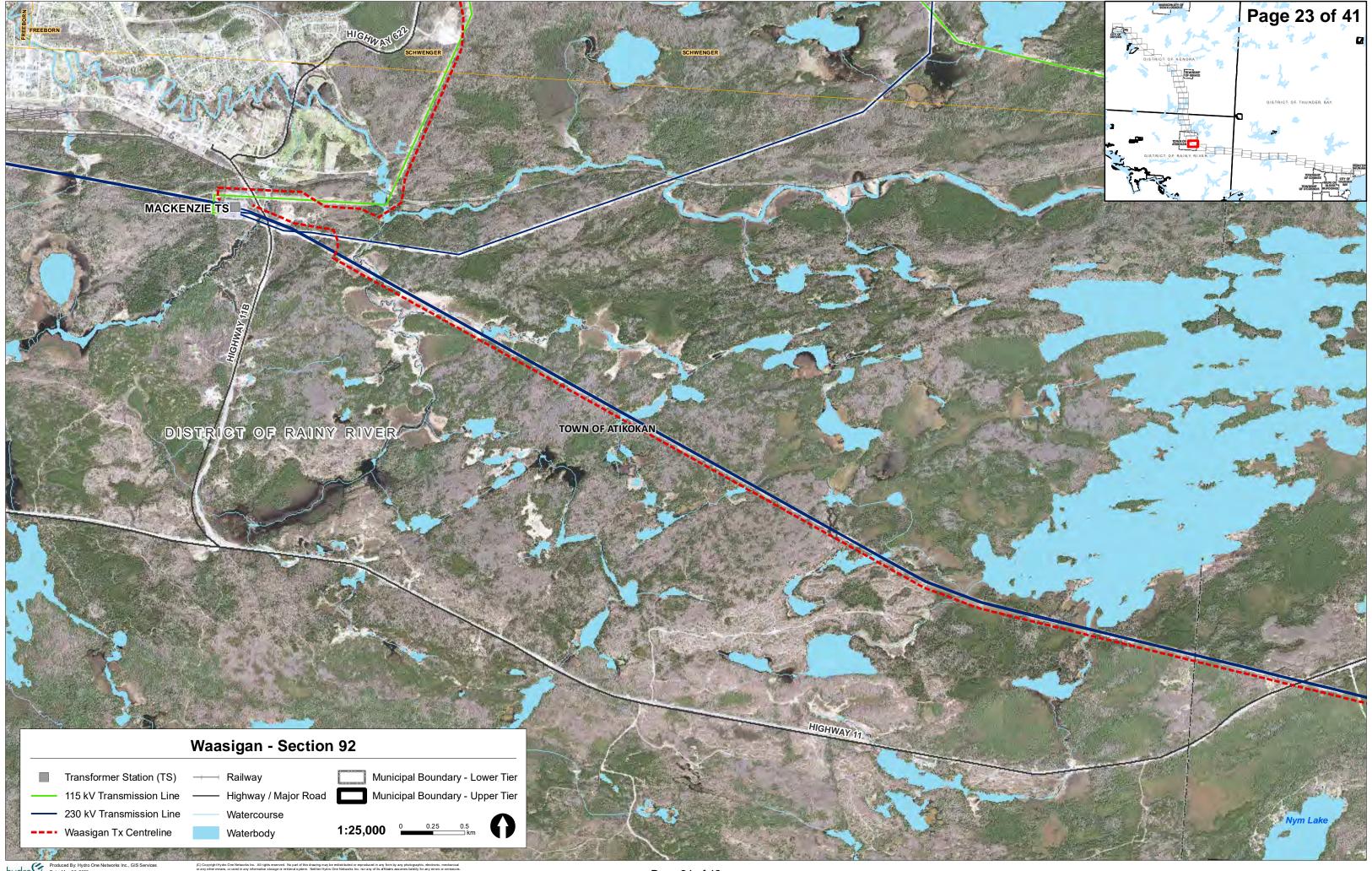


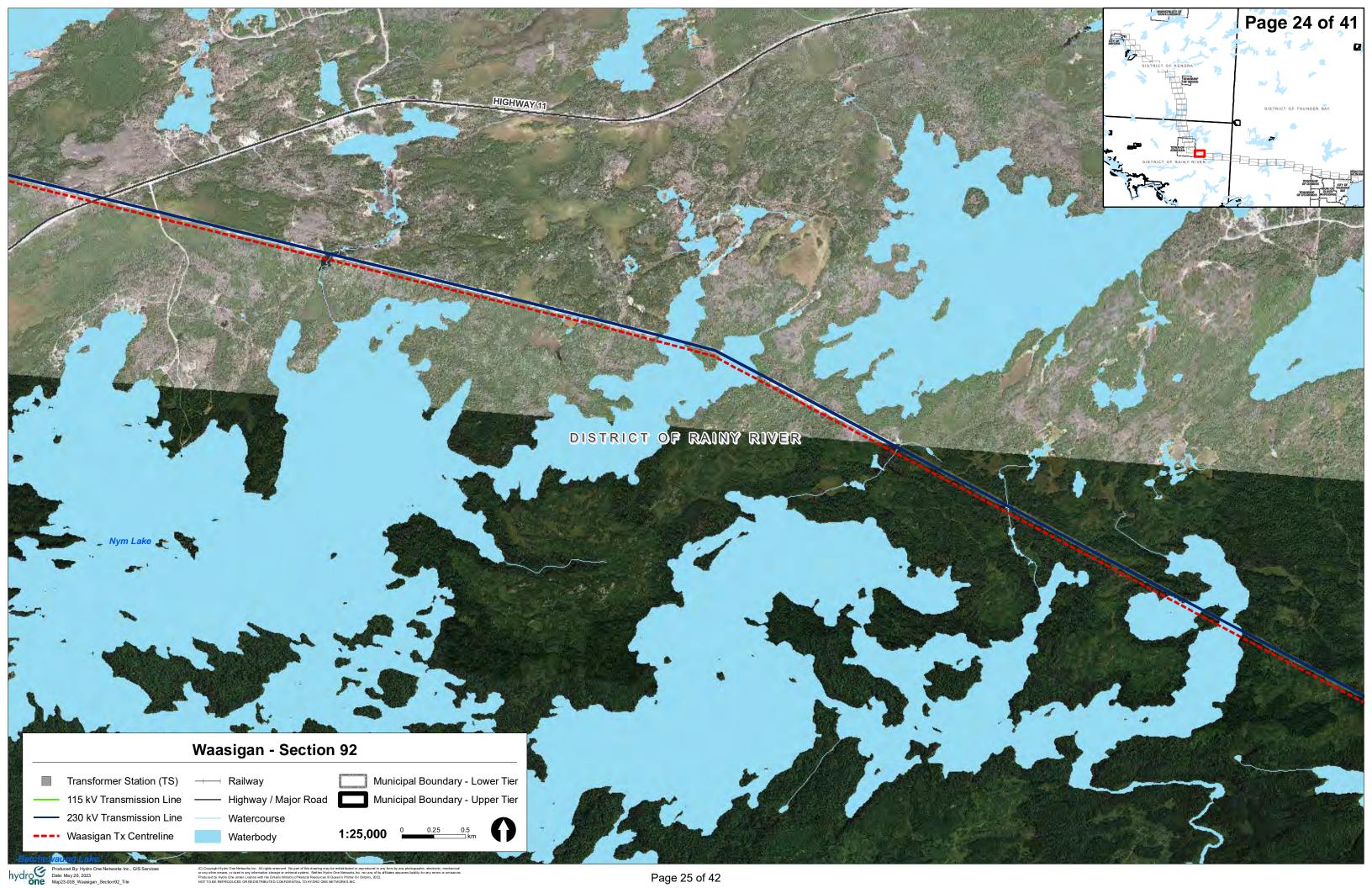


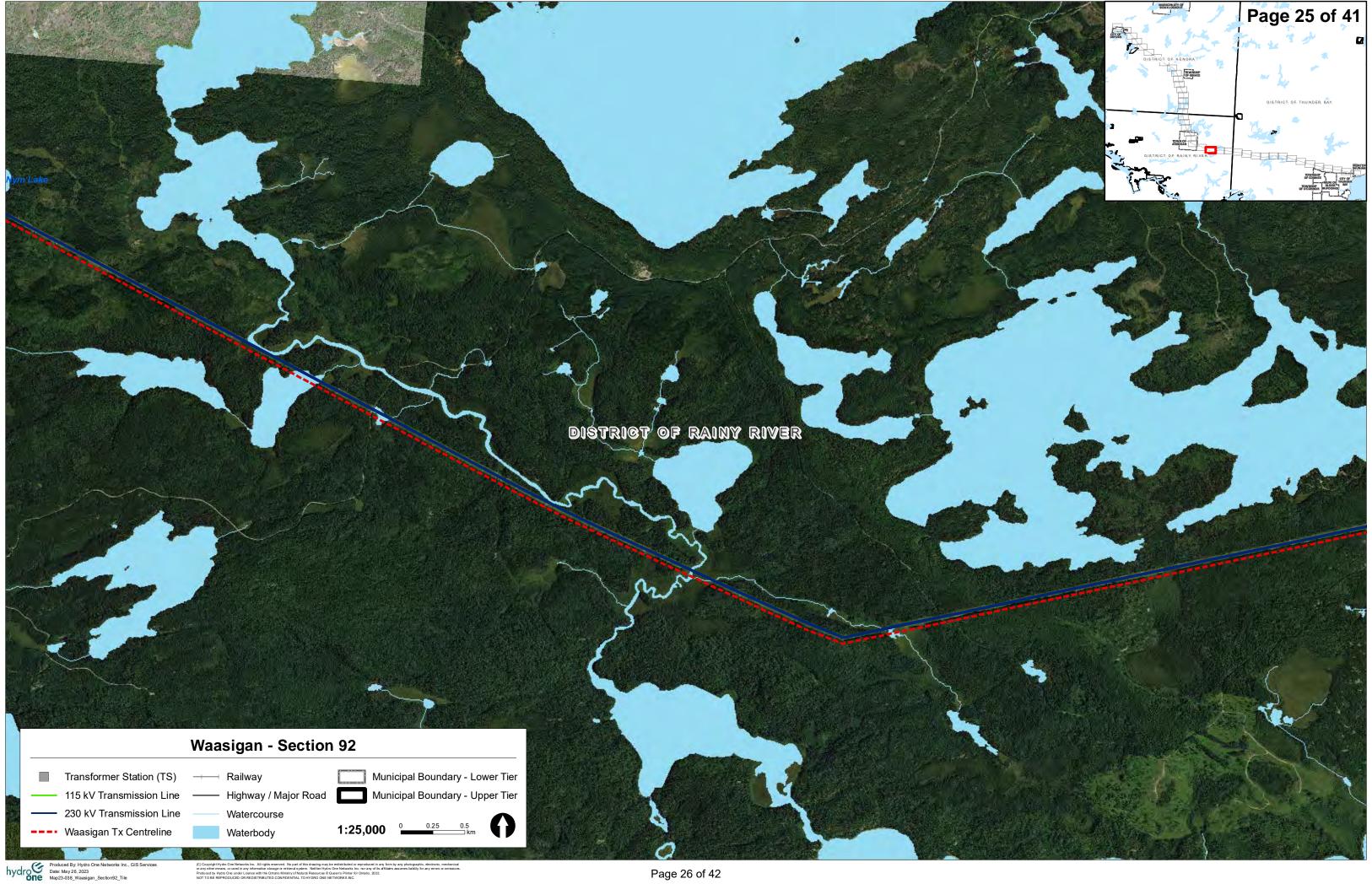


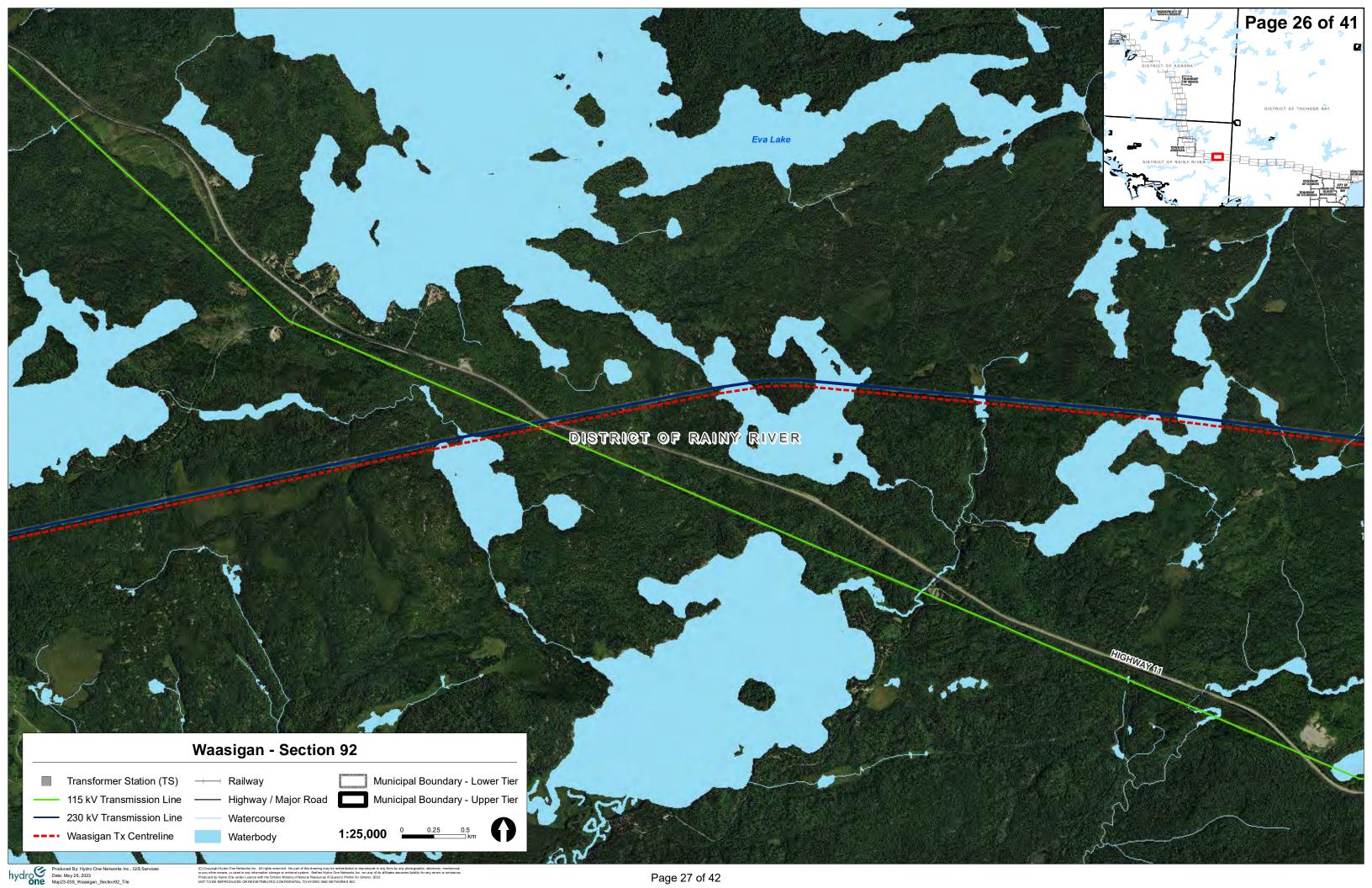


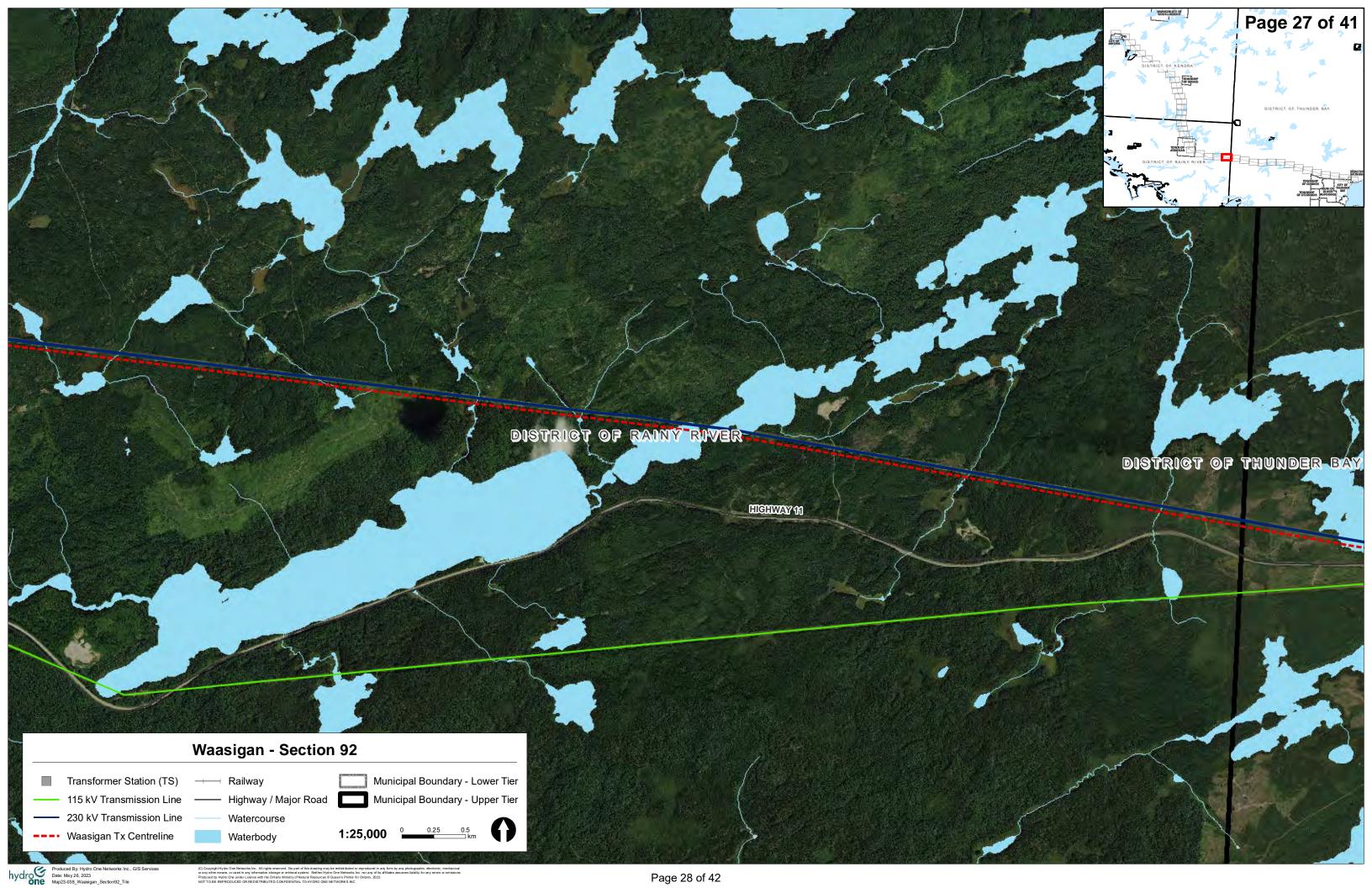


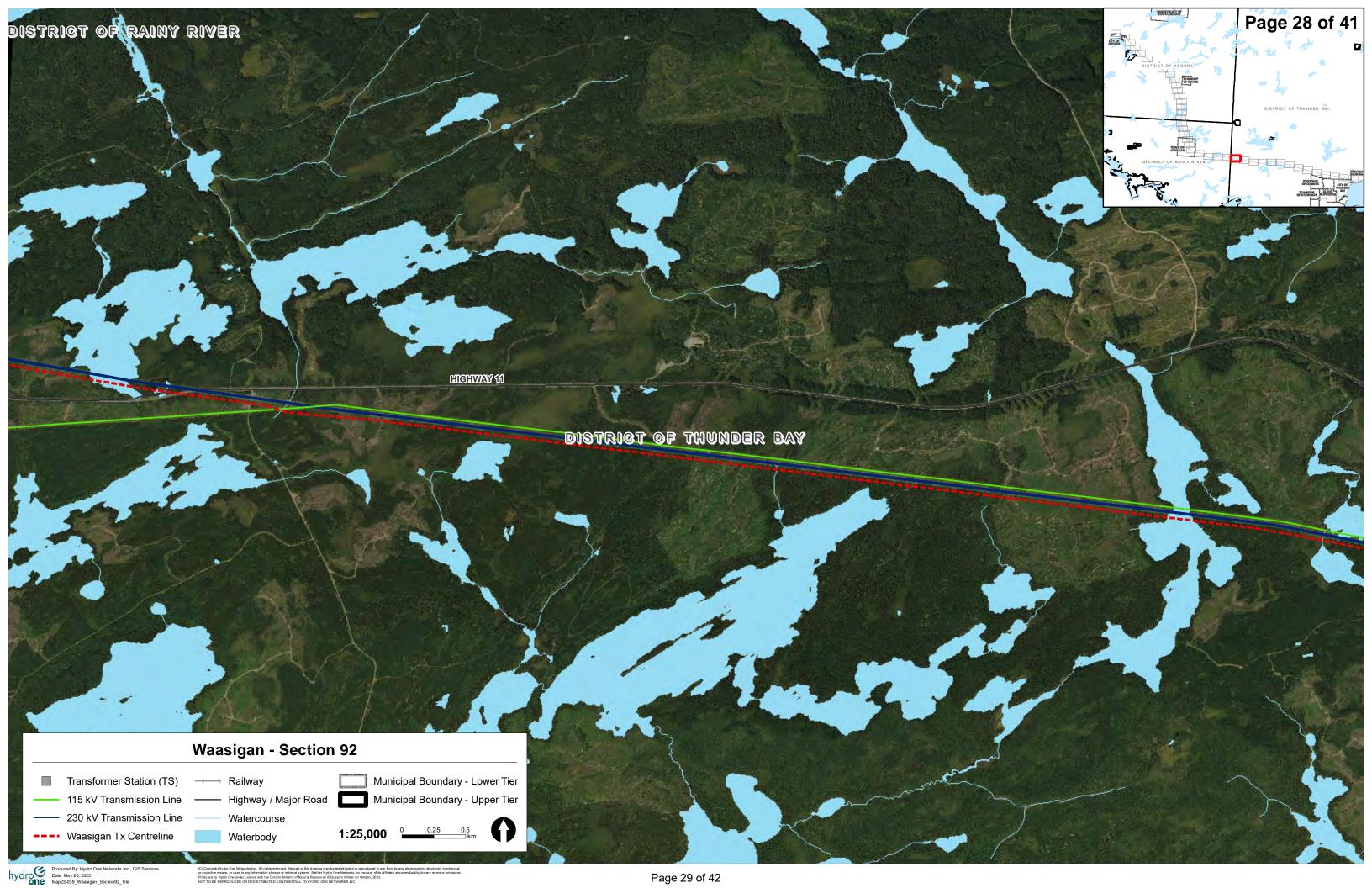


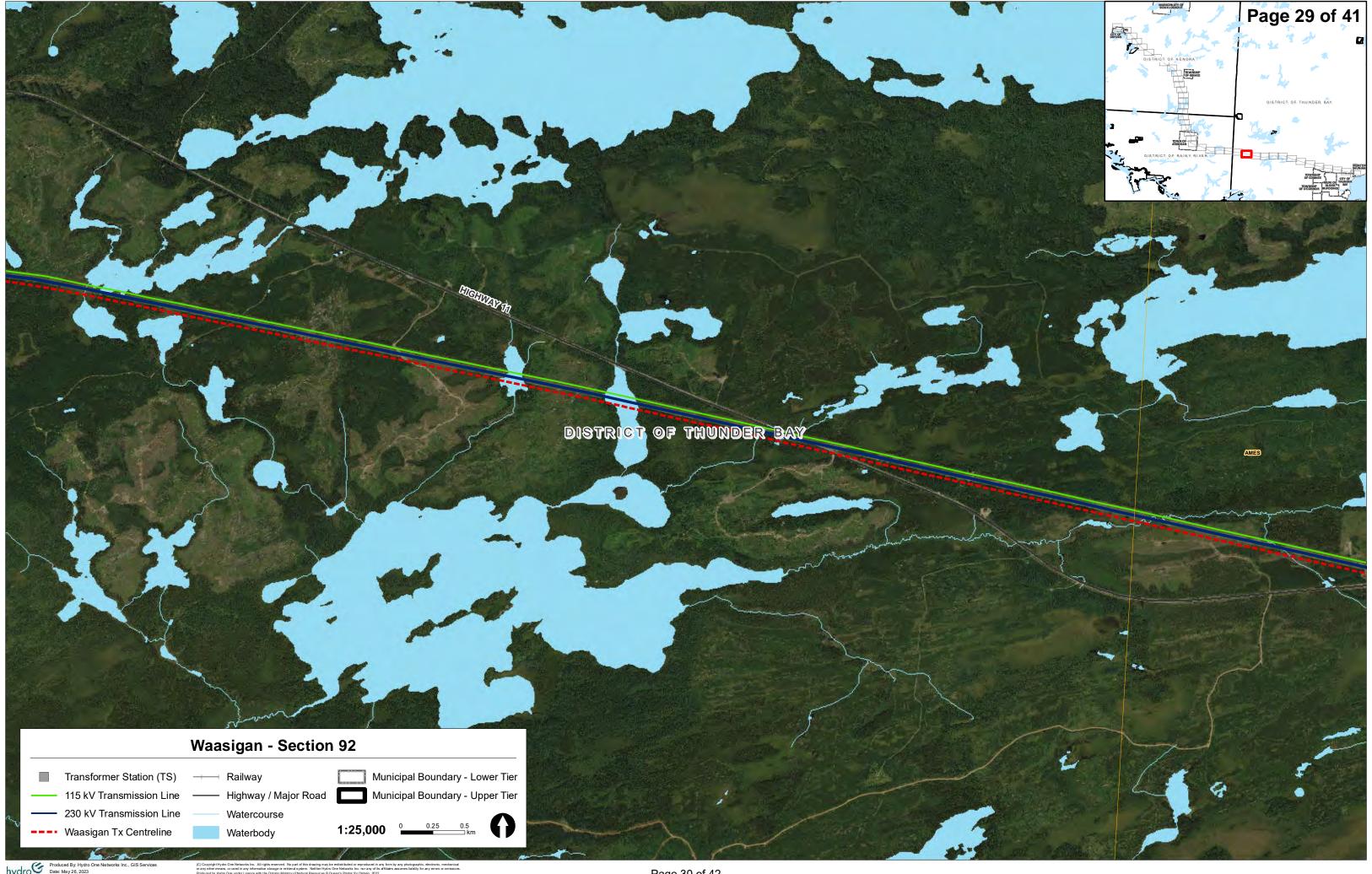


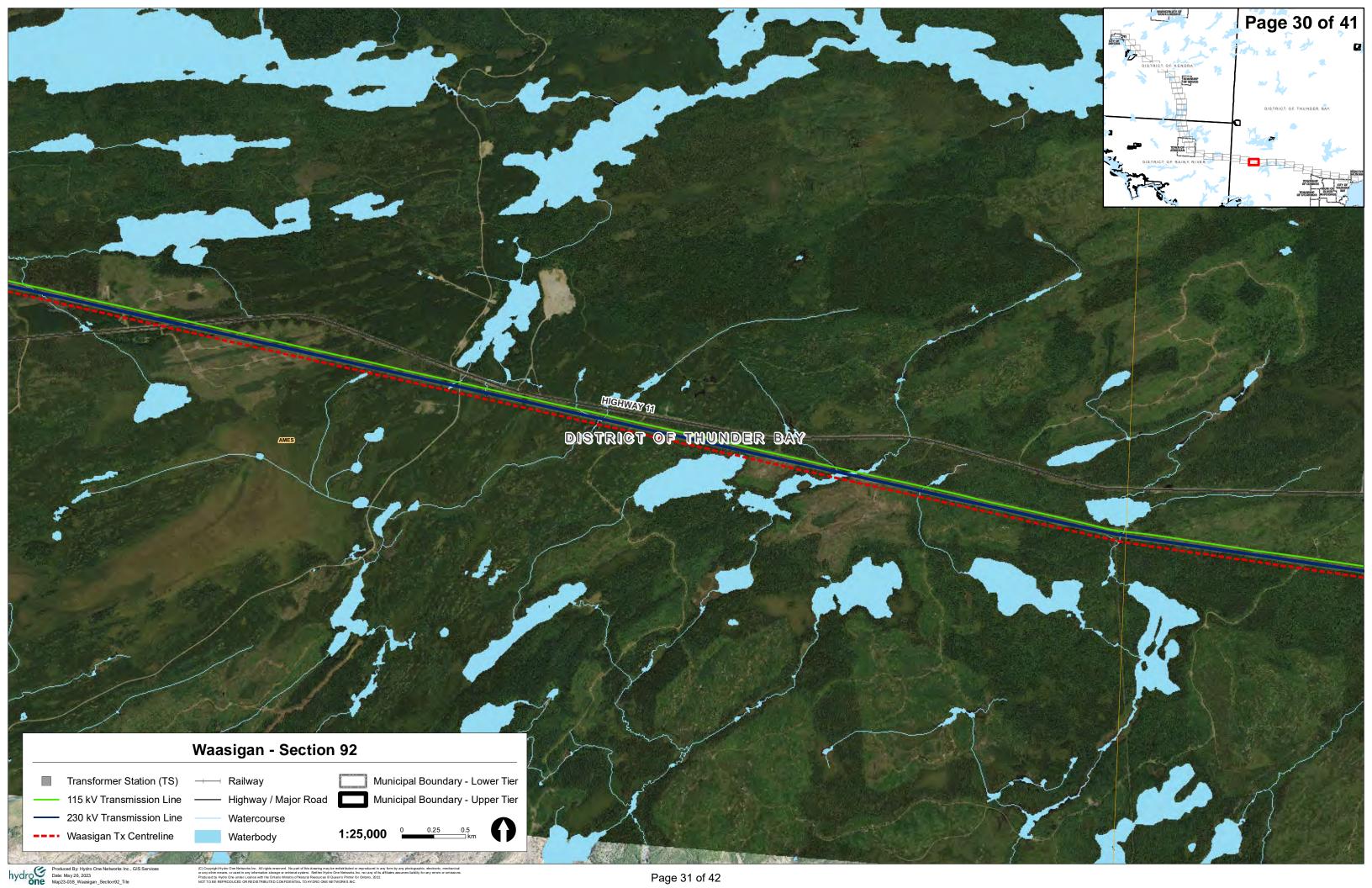


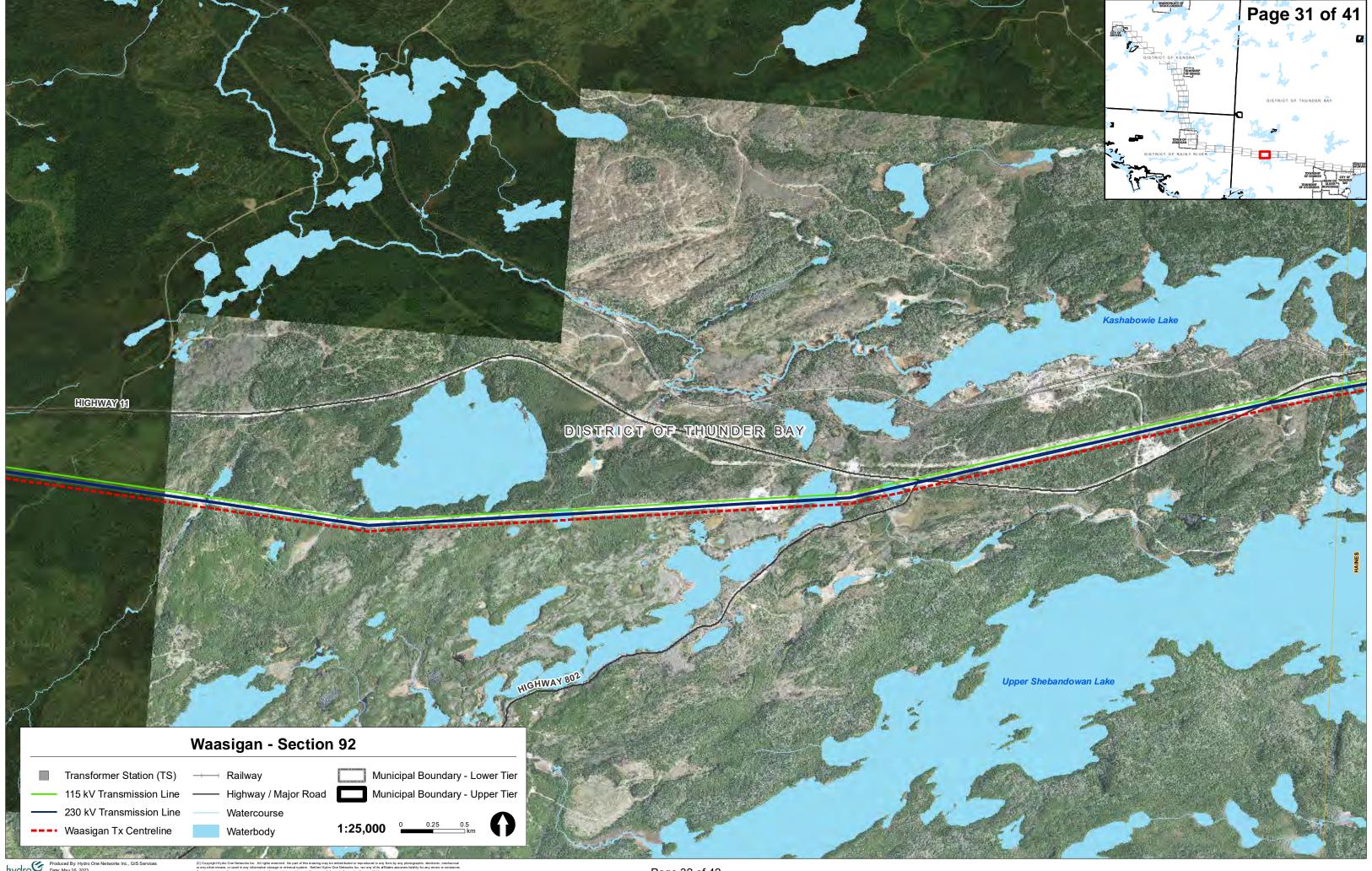


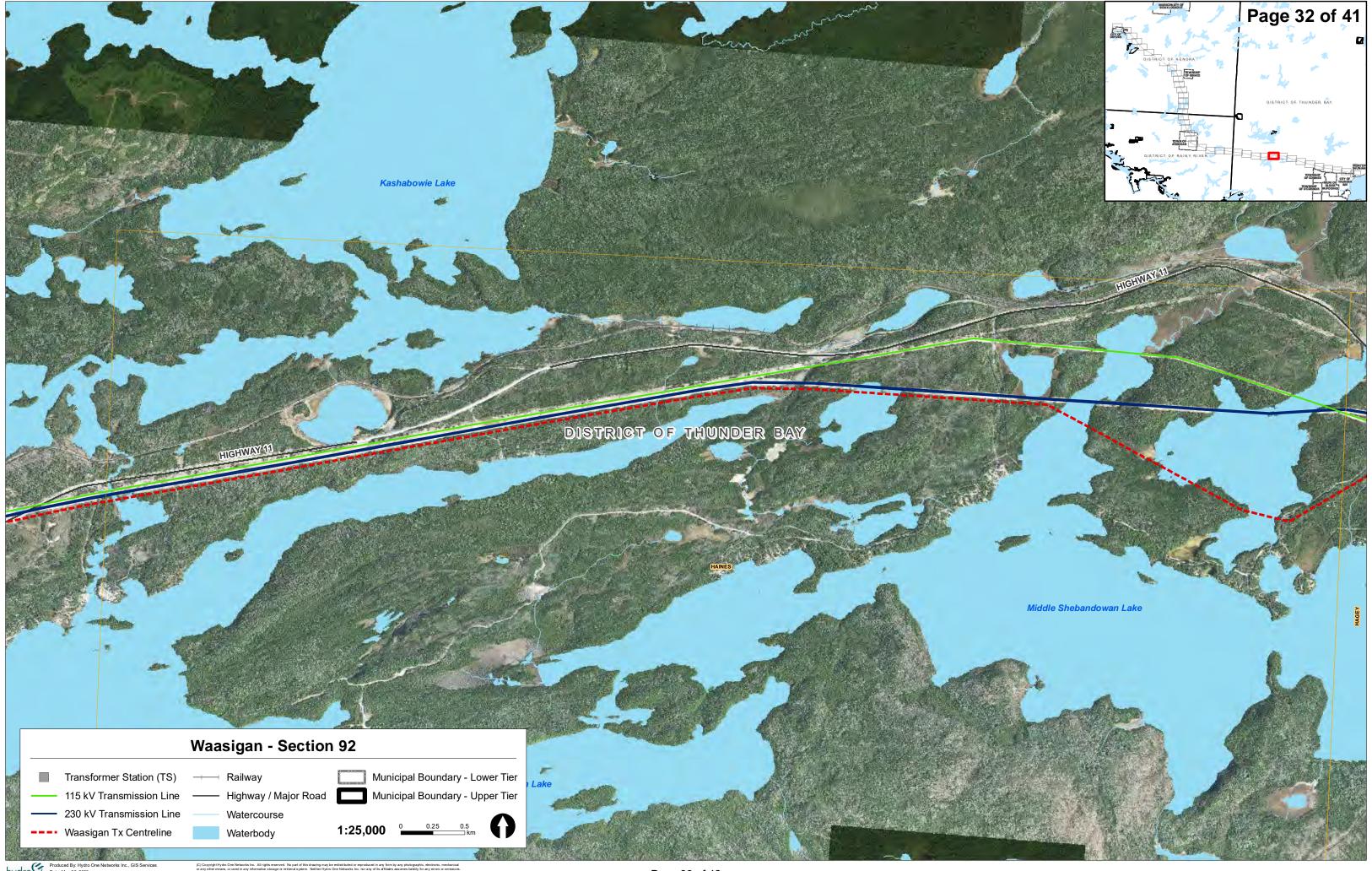


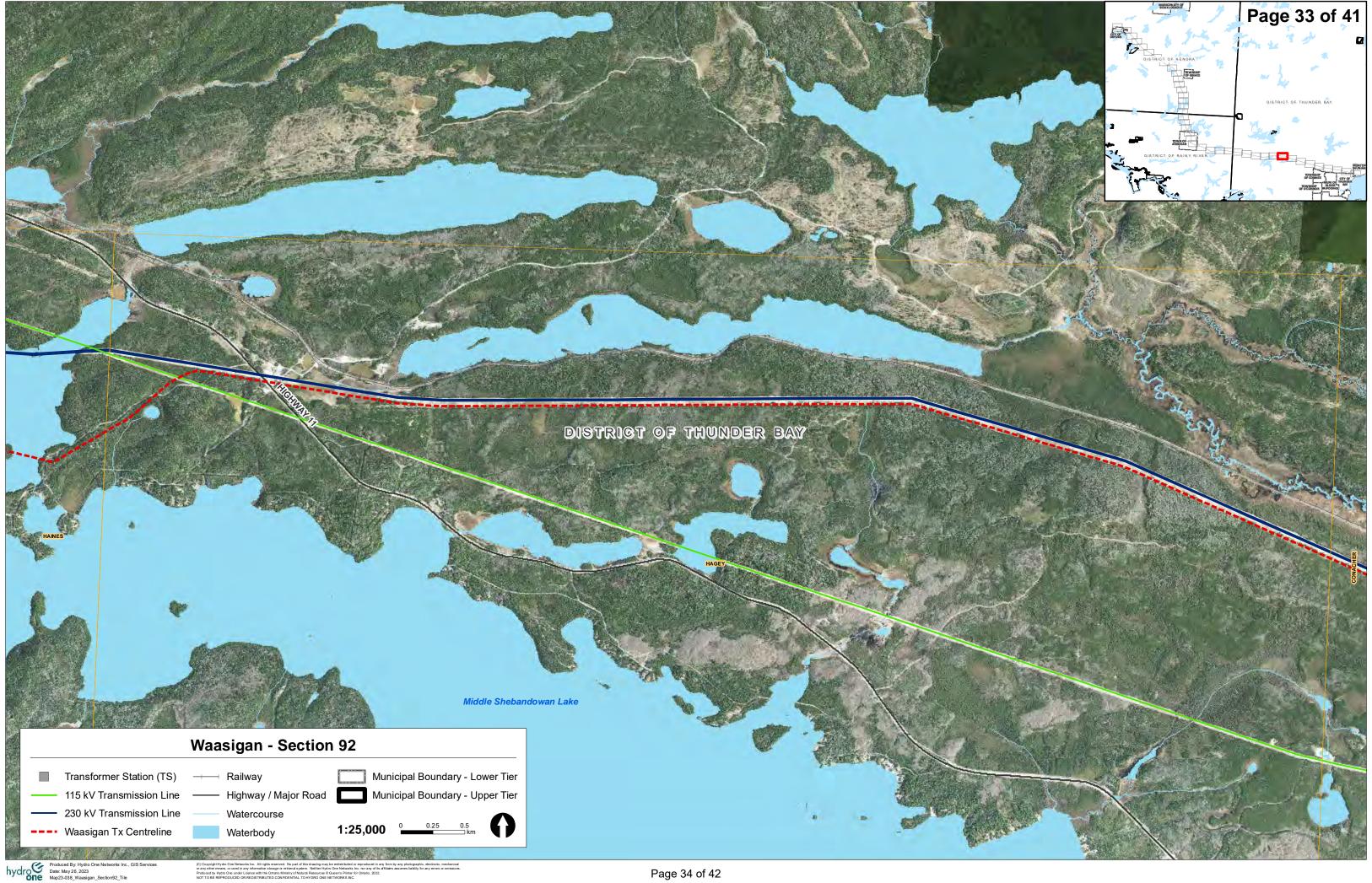


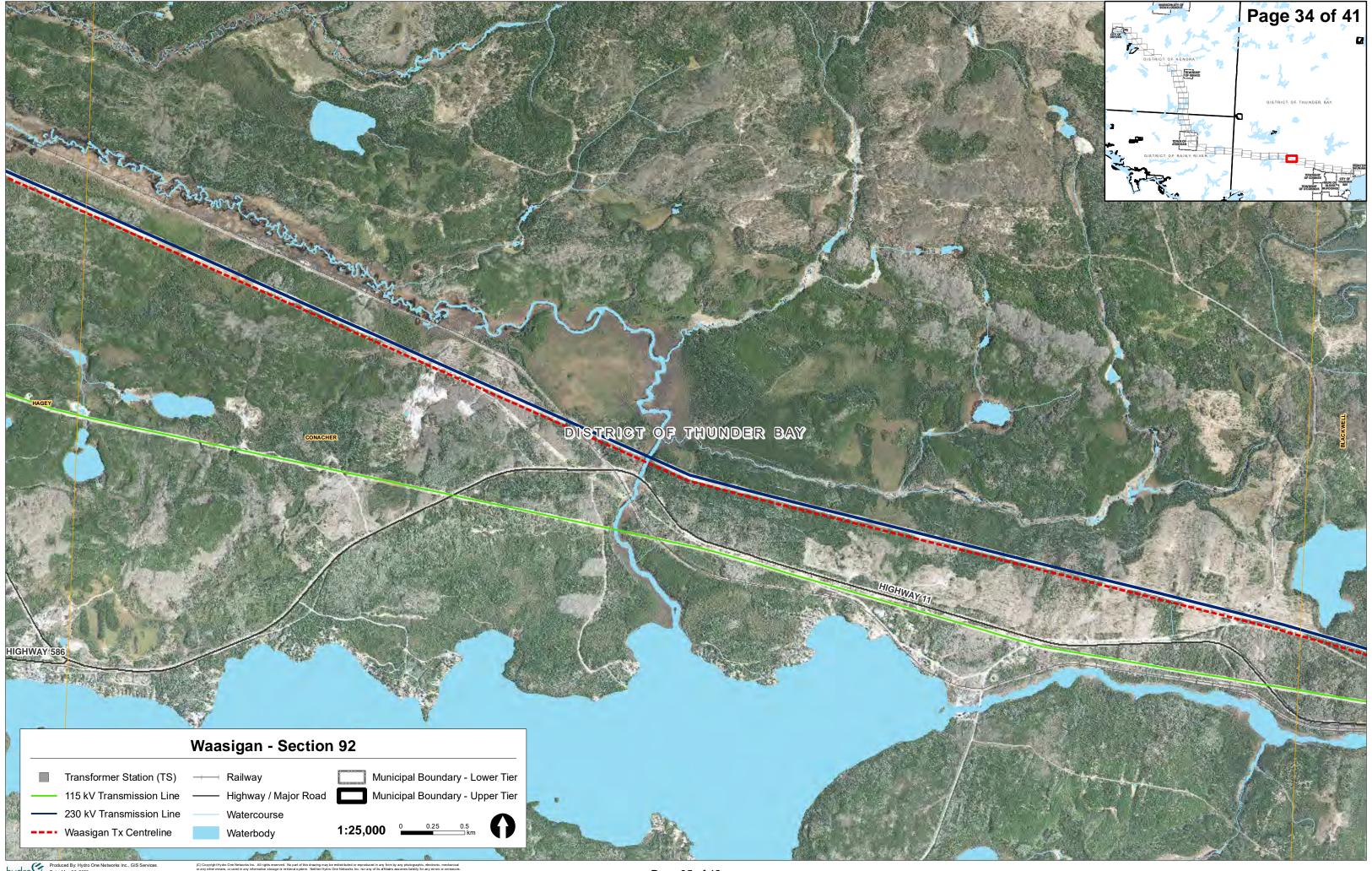


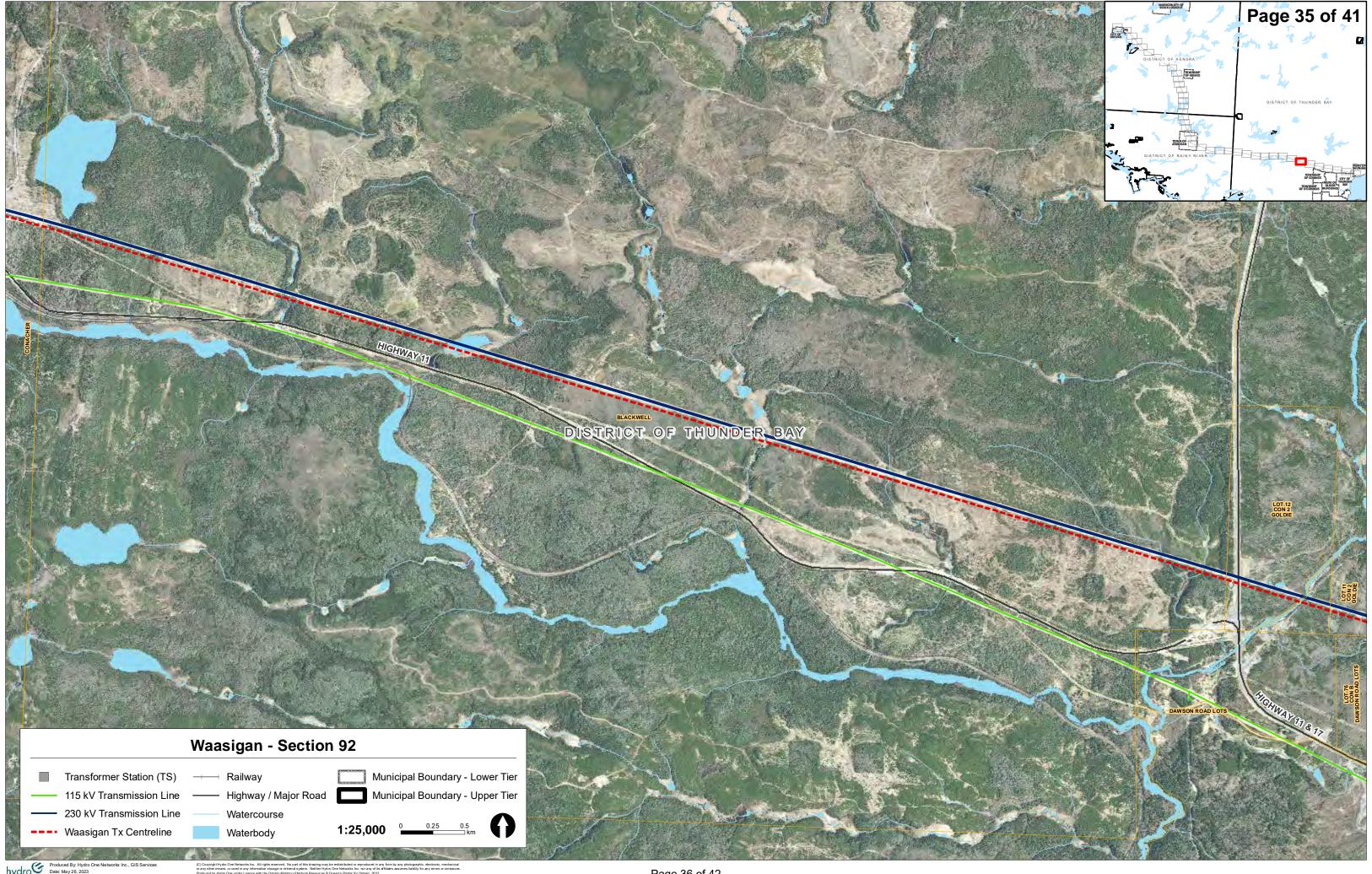


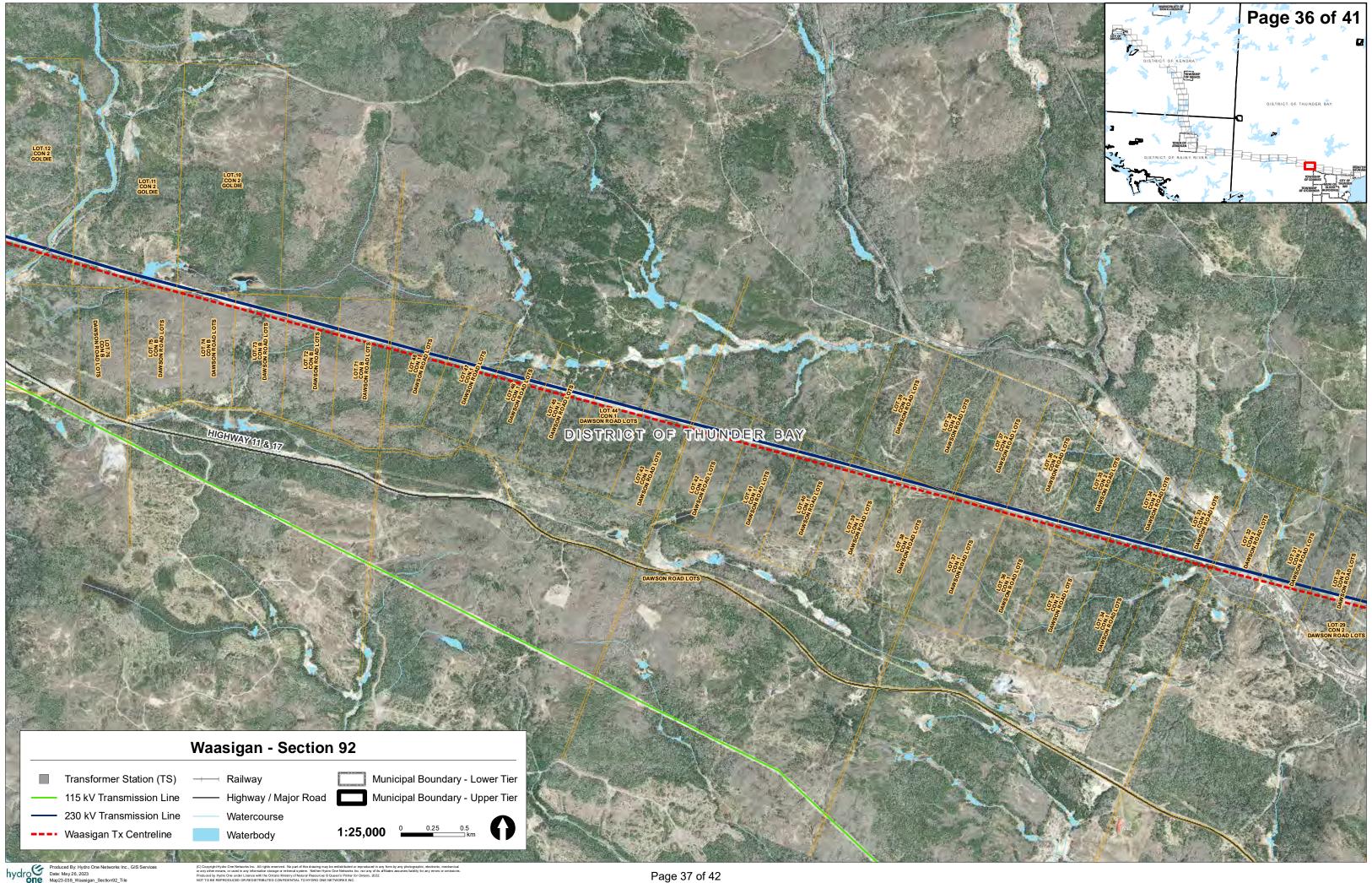


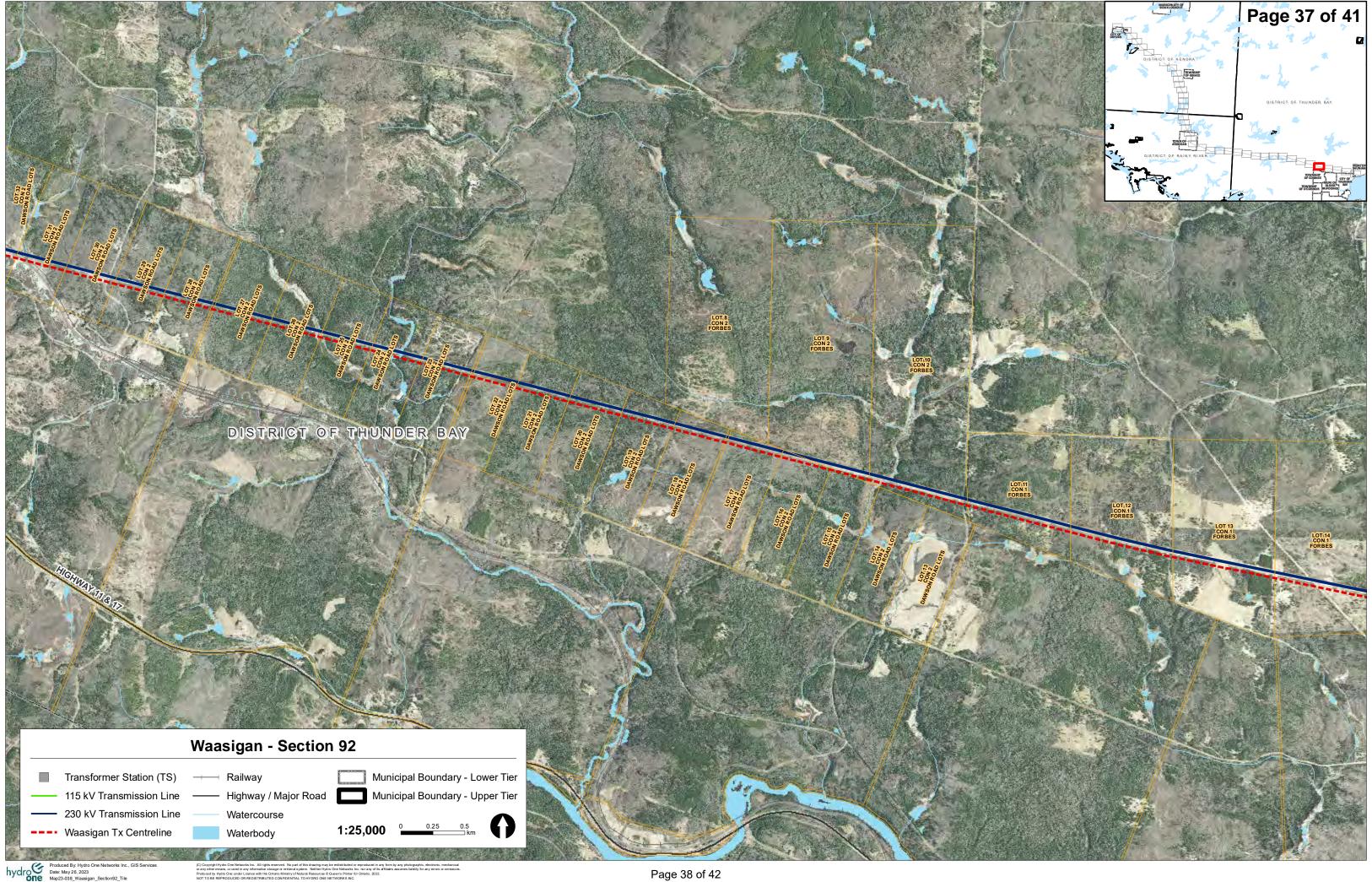


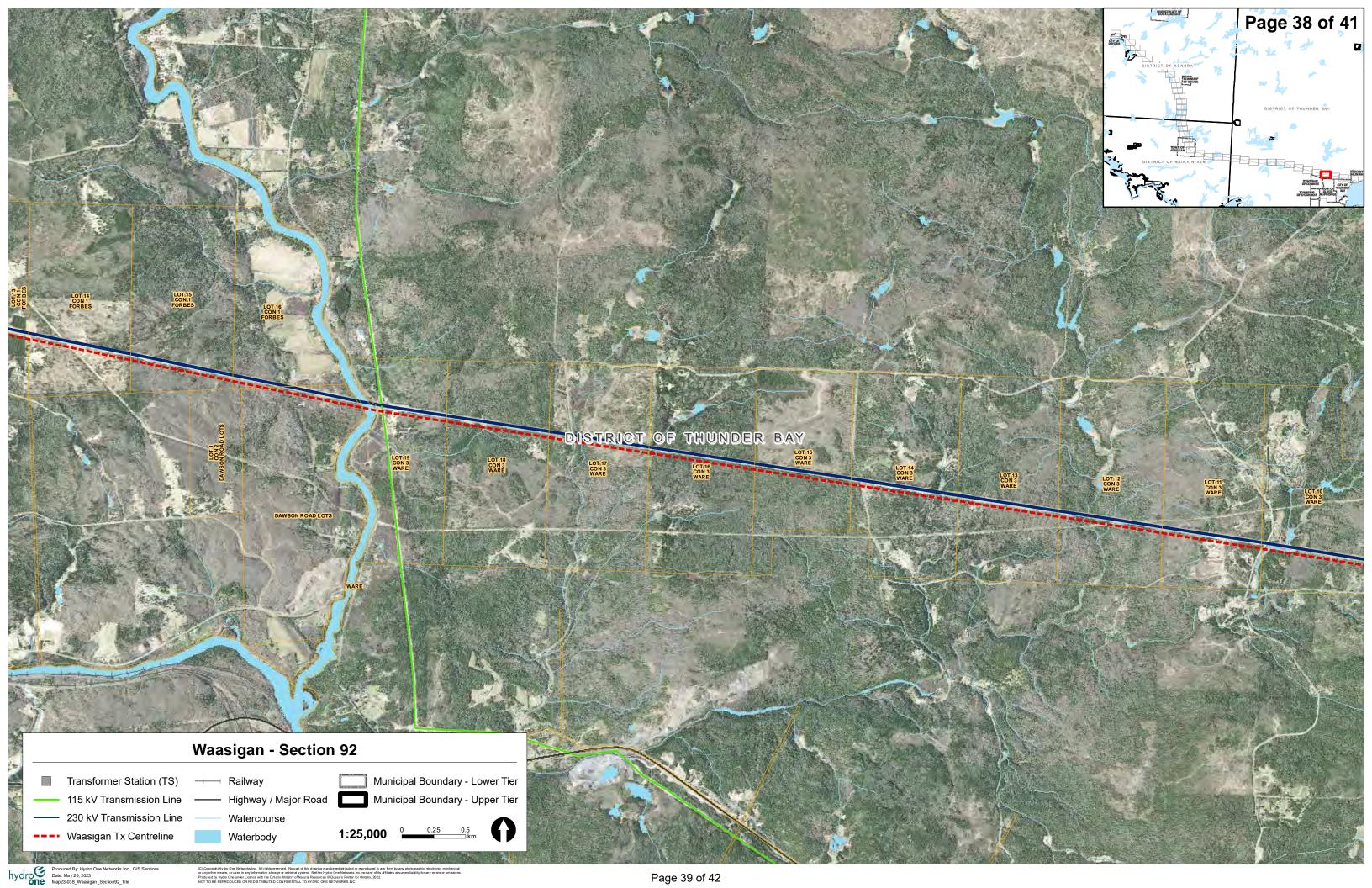


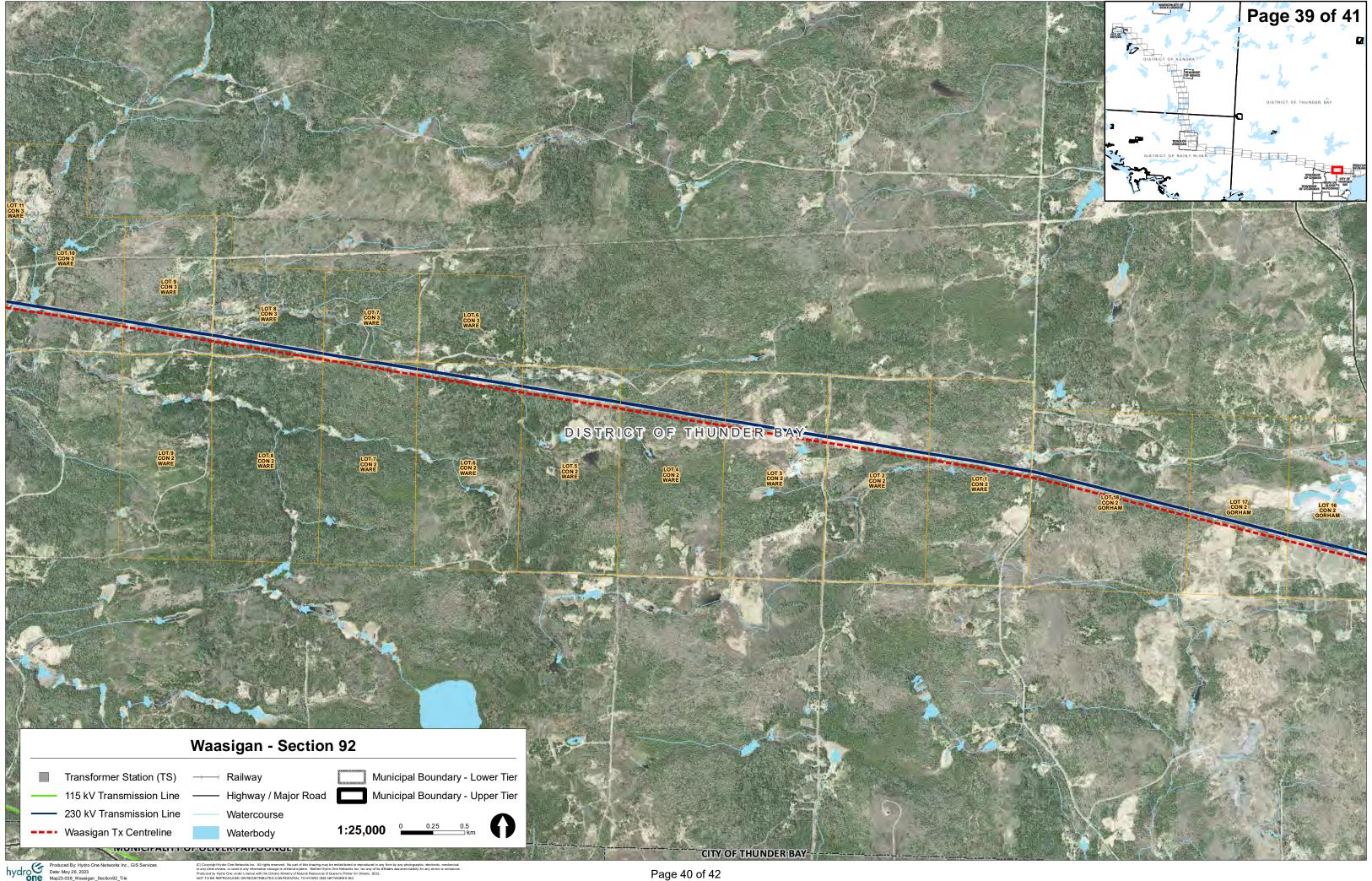


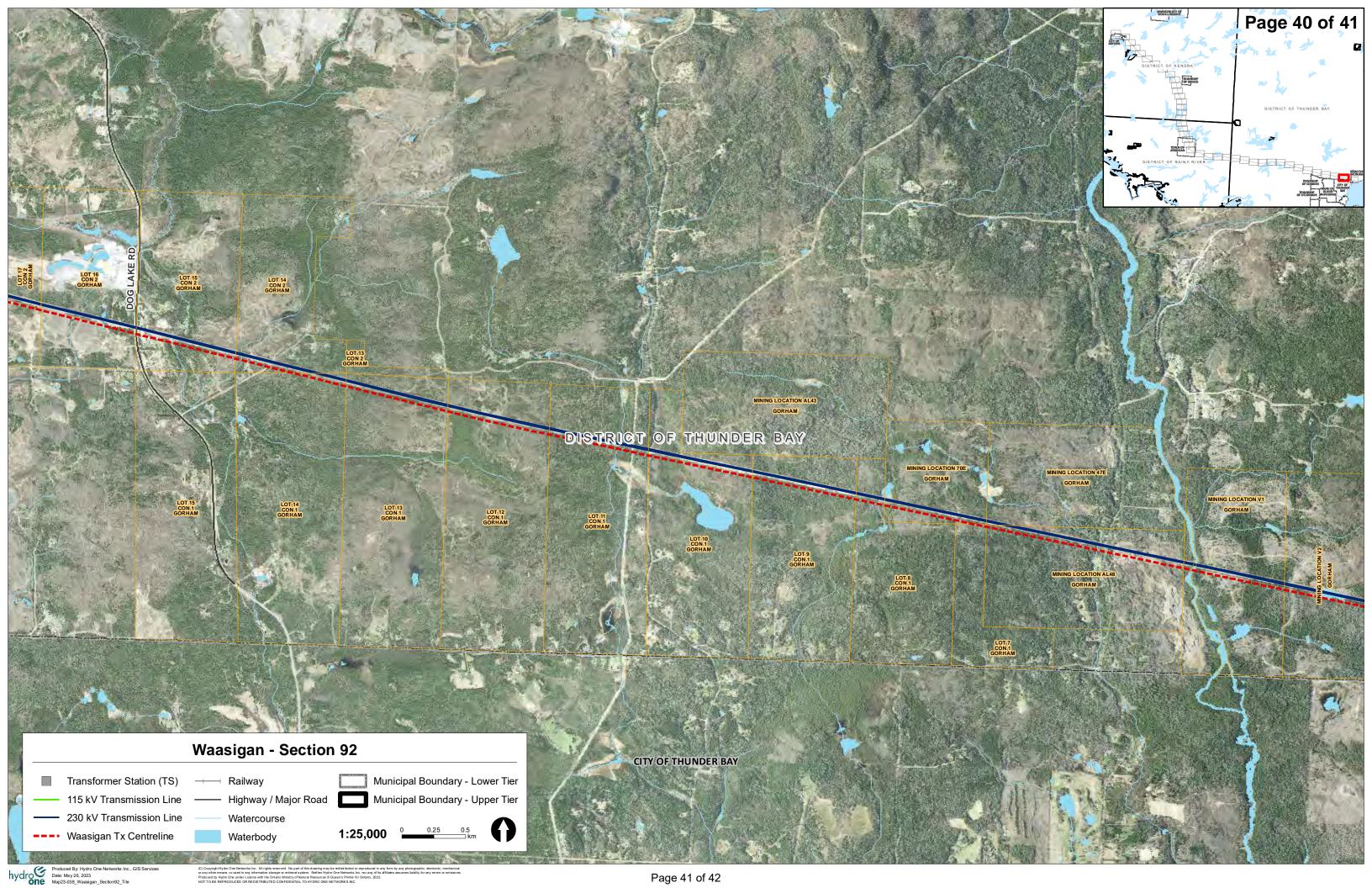


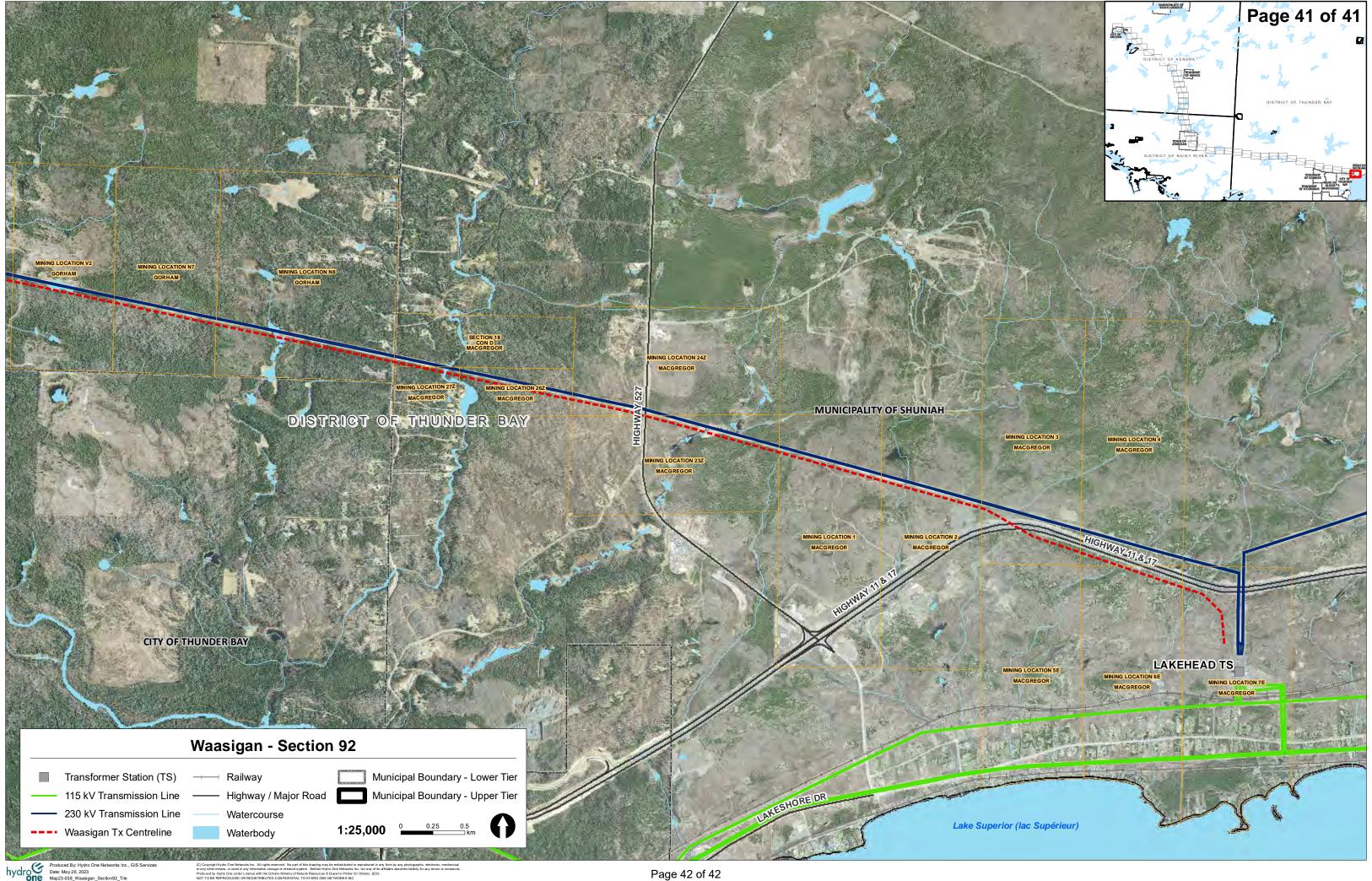












# **APPENDIX 3** Hydro One's Waasigan Project - Land Acquisition Compensation Principles

HYDRO ONE TRANSMISSION PROJECT





# WAASIGAN TRANSMISSION LINE

LAND ACQUISITION COMPENSATION PRINCIPLES

# Transmission Project

# **WAASIGAN TRANSMISSION LINE**

### I. Introduction

Land Acquisition Compensation Principles

# **II. Acquisition Process**

- A. Project Need, Corridor Identification and Approvals
- B. Introduction and Overview
- C. Allowance Payment and Access to the Preferred Route
- D. Preparation of Independent Property Appraisal Reports and Project Studies
- E. Preparation of Hydro One Property Rights Acquisition Offers
- F. Next Steps

# **III. Compensation Principles**

- A. General Principles
- B. Principles Applicable to the Acquisition of Easement Interests
- C. Principles Applicable to the Acquisition of Fee Simple Interests
- D. Principles Applicable to the Acquisition of Full Property Buyouts
- E. Principles Applicable to the Acquisition of Voluntary Property Buyouts
- F. Summary

# **Appendix A**

Map of 230 kV Transmission Corridor Route

# I. Introduction

# Waasigan

# Transmission Project

# **Land Acquisition Compensation Principles**

Hydro One Networks Inc. ("Hydro One") has initiated the Environmental Assessment ("EA") and selected a preferred route for the Waasigan Transmission Line (the "Project") to construct a new 230 kilovolt ("kV") transmission line approximately 400 kilometres in length. Hydro One is now proceeding with the acquisition of the required property interests for the Project. The preferred route where Hydro One's property interests are proposed is referred to in this document as the "Project Corridor". A map of the Project Corridor is outlined in Appendix A.

Hydro One's goal is to secure voluntary property settlements with directly impacted property owners ("Property Owners") in a timely manner. To facilitate this process, it is important that Hydro One's land acquisition compensation principles are communicated to and understood by Property Owners in advance. Furthermore, it is also important that Property Owners are assured these compensation principles will be applied in a fair, transparent and consistent manner.

These project-specific land acquisition compensation principles are founded upon Hydro One's past experience pertaining to land acquisition matters for new transmission line projects. Hydro One's central consideration is the need for Property Owners to have flexibility and choice while balancing Hydro One's desire to achieve timely acquisition of property interests and its obligation to ensure that expenditures are fair and reasonable to ratepayers.

Adoption and application of these compensation principles provides real value for timely settlements and to otherwise avoid potentially lengthier, less flexible and less certain outcomes associated with the legislated expropriation process.

# **II. Acquisition Process**

# A. Project Need, Corridor Identification and Approvals

The Project need was previously identified by the Independent Electricity System Operator (IESO). In 2018, the IESO requested Hydro One to begin development work to build a new double-circuit 230 kV transmission line between Lakehead Transformer Station ("TS") and Mackenzie TS (Phase 1), and a new single-circuit 230 kV transmission line between Mackenzie TS and Dryden TS (Phase 2).

The Project will increase power capacity to the region to address forecasted load growth associated with mining developments and the connection of renewable energy in Northwestern Ontario. For more information on the Project please visit www.HydroOne.com/Waasigan.

The Project is subject to a comprehensive environmental assessment ("EA") under Ontario's Environmental Assessment Act. Construction of the Project will also require approval from the Ontario Energy Board ("OEB"). It is anticipated that Hydro One will submit an application to the OEB in mid-2023.

# **B.** Introduction and Overview

In parallel to the EA and OEB approvals ("Approvals"), Hydro One will proceed with the land acquisition process for the Project. The process will commence with individual meetings between Hydro One's dedicated Real Estate Representatives and Property Owners. This meeting is intended to review and discuss the process and land acquisition compensation principles, as set out in this document. Property Owners will be provided the necessary time throughout the process to review the materials, complete follow-up meetings and have discussions with their Hydro One Real Estate Representative.

# C. Allowance Payment and Access to the Preferred Route

At the initial meeting with impacted Property Owners, Hydro One's Real Estate Representative will offer two immediate payments:

- (i) An immediate Allowance Payment of \$5,000 in recognition of the Property Owner's time taken to receive and discuss Hydro One's real estate requirements throughout the Project.
- (ii) An immediate Access Payment of \$2,500 for allowing Hydro One's consultants access to and along the Project Corridor to conduct environmental studies, engineering studies, land appraisal reports and legal surveys of the Project Corridor. In addition to this immediate payment, Hydro One commits to pay for any damages that may occur given Hydro One's and their consultants' presence for the Project during this access requirement.

Acceptance of the Allowance Payment and Access Payment does not obligate the Property Owner to convey any permanent land rights to Hydro One for the Project Corridor.

# D. Preparation of Independent Property Appraisal Reports and Other Project Studies

Hydro One and its consultants will collect all pertinent property information in support of the Project. The consultants include accredited independent appraisers who will prepare site-specific appraisal reports. These reports will quantify the fair market value of each property interest on the Project Corridor along with injurious affection, if applicable.

All appraisers retained by Hydro One have received an Accredited Appraiser Canadian Institute (AACI) designation from the Appraisal Institute of Canada. This ensures that appraisals are conducted in accordance with professional standards established by the Appraisal Institute of Canada.

These independent site-specific appraisal reports will be completed through the Spring and Summer of 2023.

# E. Preparation of Hydro One Property Rights Acquisition Offers

Hydro One will present each Property Owner with a formal offer based upon the information contained in the independent site-specific appraisal report. As part of Hydro One's formal voluntary land acquisition offer ("Offer"), Property Owners will be provided with a copy of the appraisal report, together with a sketch plan of the property interest to be acquired.

# F. Next Steps

Following receipt and consideration of Hydro One's Offer, the next steps in the process will depend upon whether individual Property Owners consider Hydro One's Offer acceptable. If the Offer is accepted, the acquisition process will proceed and the parties will finalize the transaction.

However, if the Property Owner elects to further assess/review the Offer utilizing an independent appraiser to complete an additional site-specific appraisal, Hydro One will reimburse the Property Owner up to \$7,500, which is the expected cost of an additional site-specific appraisal report. To be eligible for this reimbursement, the Property Owner must notify Hydro One of its decision to retain independent appraisal services. An independent appraisal carried out for the Property Owner must be conducted by an AACI accredited appraiser and a copy of the sitespecific appraisal report is to be provided to Hydro One before reimbursement is paid. If a Property Owner proceeds with this choice, they will forgo the 'Acceptance of the Hydro One Offer' incentive (as described in Section III, Parts B & C).

Reimbursement of the above-noted independent appraisal costs is in no way intended to bind the Property Owner to voluntarily convey the property interests required by Hydro One.

Hydro One's Offer will remain open for acceptance for a limited period of time. Property Owners are assured of reasonably sufficient time to consider the Offer, inclusive of the required efforts of independent appraisal and legal reviews as may be initiated by the Property Owners.

If the parties are unable to complete a voluntary property settlement, Hydro One will file an application to seek expropriation authority status pursuant to Section 99 of the *Ontario Energy Board Act*, 1998 ("OEB Act"). Property Owners will be given written notice prior to Hydro One filing this application. Once the application is filed, Hydro One's current Offer will lapse and the Property Owner will be provided a revised Offer.

While the revised Offer will comply with the compensation requirements of the *Expropriations Act*, it will include limited compensation incentives (as described further in this document), resulting in a reduced Offer.

# **III. Compensation Principles**

# A. General Principles

This section describes the principles Hydro One will follow in respect to the voluntary settlement of property interests for the Project:

### **Property Owner Choice**

Property Owners will be offered the choice of Hydro One acquiring either an easement or the fee simple interest in the lands required for the Project Corridor.

# **Independent Property Valuation**

Hydro One's Offers will be based upon site-specific appraisal reports prepared by external, independent AACI accredited appraisers. The appraiser will be directed to complete site-specific appraisals which will include a Property Owner interview and inspection of the property. In addition, the appraiser will be directed to consider properties as unencumbered, which ignores any other existing encumbrances that may be present (e.g., existing transmission lines and underground utilities).

# **Incentive-Based Compensation Offers**

Compensation premiums, over and above fair market value as set out herein, will be made available as an incentive to achieve the timely acquisition of required property interests. Incentives will be applied on a fair, transparent and consistent manner.

# Mitigating Physical Property Damages

Upon acceptance of the Offer by the Property Owner and subject to Approvals, Hydro One will complete the acquisition of the property interests and commence construction activities in accordance with its plans and schedule. During pre-construction and construction activities, Hydro One commits to working with Property Owners to ensure physical property damages are mitigated. If mitigation is not possible, Hydro One will compensate Property Owners for all physical damages that arise out of the pre-construction and construction related activities by Hydro One and/or its contractors.

# B. Principles Applicable to the Acquisition of Easement Interests

This section describes more specific compensation principles applicable to the voluntary acquisition of easement interests. Hydro One commits to implementing the following easement compensation principles:

### Valuation of Easement Interest

Hydro One's Offer will value all easement interests based upon 75% of the appraised fair market value of the subject property applied to Hydro One's individual property requirements.

# **Injurious Affection**

Compensation for injurious affection is provided when reductions to the market value of the remaining property interests are estimated to result from Hydro One's use of the interest in the portion of the property required for the Project. This amount is determined as part of the independent appraisal process. The analysis takes into consideration various attributes of the remaining property and whether a loss in market

value is likely to result from the construction and operation of the Project.

Hydro One will ensure that all appraisals prepared by Hydro One's independent appraisers consider and, where applicable, make provision for any injurious affection arising to the remaining acreage of the property directly impacted by the Project Corridor that is owned by the Property Owner.

# **Incentive Compensation**

Property Owners who accept Hydro One's Offer to acquire easement interests will be provided with the following incentive compensation amounts:

Premium Above Fair Market Value

An amount equal to 50% of the appraised fair market value of the acreage over which the easement interest will be taken. This equates to a total fair market value payment of 125% for the easement interest required for the Project Corridor; plus

### **Option Payment**

An Option payment of \$10,000 to be paid at the time the option agreement is registered; plus

Acceptance of the Hydro One Offer

At the time Hydro One exercises the Option (i.e., after the Project receives all required approvals), a further payment of \$10,000. Payment of this incentive is conditional on the Property Owner not requesting reimbursement of costs for an additional independent appraisal report (as described in Section II, Part F).

## Other Compensation

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (such as lawyer's fees) associated with the review and completion of applicable conveyancing documents.

Each Property Owner impacted by the loss of wooded areas on the Project Corridor will be offered a one-time payment recognizing the value of any current merchantable timber. The payment will be based upon a third-party independent valuation.

Hydro One further commits to compensating Property Owners for all damages that arise out of the preconstruction and construction related activities by Hydro One and/or its contractors. The types of construction damages could include but are not limited to rutting of laneways and fence or gate damage. In addition, Property Owners are assured that all damages arising out of the Project will be rectified or reimbursed.

Hydro One will consider on a case-by-case basis whether unique or exceptional circumstances exist which require the payment of additional compensation.

# C. Principles Applicable to the Acquisition of a Fee Simple (Ownership) Interest

This section describes the compensation principles that will be applied when Property Owners prefer to sell the fee simple interest (i.e., ownership) in the portion of the property required for the Project instead of an easement interest. In such circumstances, Hydro One will implement the following compensation principles:

### Valuation

Hydro One's Offer will value fee simple interests based upon 100% of the appraised fair market value of the subject property applied to Hydro One's individual property requirements.

# **Injurious Affection**

Compensation for injurious affection is provided when reductions to the market value of the remaining property interests are estimated to result from Hydro One's use of the interest in the portion of the property required for the Project. This amount is determined as part of the independent appraisal process. The analysis takes into consideration various attributes of the remaining property and whether a loss in market value is likely to result from the construction and operation of the Project.

Hydro One will ensure that all appraisals prepared by Hydro One's independent appraisers consider and,

where applicable, make provision for any injurious affection arising to the remaining acreage of the property directly impacted by the Project Corridor that is owned by the Property Owner.

# **Incentive Compensation**

Property Owners who accept Hydro One's Offer to acquire fee simple interests will be provided with the following incentive compensation amounts:

Premium Above Fair Market Value

An amount equal to 25% of the appraised fair market value of the acreage over which the fee simple interest will be taken. This equates to a total fair market value payment of 125% for the fee simple interest required for the Project Corridor; plus

**Option Payment** 

An Option payment of \$10,000 paid at the time the option agreement is registered plus;

Acceptance of the Hydro One Offer

At the time Hydro One exercises the Option (i.e., after the Project receives all required approvals), a further payment of \$10,000. Payment of this incentive is conditional on the Property Owner not requesting reimbursement of costs for an additional independent appraisal report (as described in Section II, Part F).

# Other Compensation

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (such as lawyer's fees) associated with the review and completion of applicable conveyancing documents.

Hydro One further commits to compensating Property Owners for all damages that arise out of the preconstruction and construction related activities by Hydro One and/or its contractors. The types of construction damages could include but are not limited to rutting of laneways and fence or gate damage. In addition, Property Owners are assured that all damages arising out of the Project will be rectified or reimbursed.

In circumstances where the Property Owner seeks to continue to use the newly-acquired Project Corridor lands, Hydro One will make all reasonable efforts to negotiate a licence-back arrangement for the ongoing occupation and use of the Project Corridor in compliance with Hydro One's licensing policy.

Hydro One will consider on a case-by-case basis whether unique or exceptional circumstances exist which require the payment of additional compensation.

# D. Principles Applicable to the Acquisition of a Full Property Buyout

If a Property Owner's permanent primary residence (trailers/mobile homes are not considered permanent) or a major outbuilding is located within the new Project Corridor, Hydro One will offer a one-time choice of either:

- (i) Acquiring the Property Owner's entire property on which the Project Corridor is situated; or
- (ii) Acquiring only that portion of the Property Owner's property that is on the Project Corridor lands and providing compensation for the loss of the permanent primary residence and/or major outbuilding, including reasonable relocation costs.

This election cannot be subsequently revisited. In such circumstances, Hydro One will implement the following compensation principles:

# Principles Applicable to Full Property Buyout Offers

# **Valuation**

The full property will be valued based upon 100% of the appraised fair market value of the entire subject property.

### Disturbance Premium

Hydro One will provide a disturbance premium equal to 25% of the fair market value of the entire subject property. This equates to a total fair market value payment of 125% for the full property buyout.

### **Relocation Costs**

Hydro One will reimburse all reasonable relocation costs incurred by Property Owners.

# **Incentive Compensation**

Property Owners who accept Hydro One's Offer to acquire a full property buyout will be provided with the following incentive compensation amounts:

### **Option Payment**

A \$20,000 payment paid at the time the option agreement is registered, providing Hydro One with the option to purchase the subject property.

### Acceptance of the Hydro One Offer

At the time Hydro One exercises the Option (i.e., after the Project receives all required approvals), a further payment of \$20,000 will be made. Payment of this incentive is conditional on the Property Owner not requesting reimbursement of costs for an additional independent appraisal report (as described in Section II, Part F).

# Other Compensation

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (such as lawyer's fees) associated with the review and completion of applicable conveyancing documents.

Hydro One will consider on a case-by-case basis whether unique or exceptional circumstances exist which require the payment of additional compensation.

# E. Principles Applicable to the Acquisition of a Voluntary Full Property Buyout

Hydro One is prepared to voluntarily acquire a full property buyout in the following circumstance:

This circumstance will arise if a Property Owner's permanent primary residence (trailers/mobile homes are not considered permanent) is located within 100 metres from the centreline of the new Project

Corridor and the Project Corridor is situated on the Property Owner's subject property. This circumstance is intended to provide eligible Property Owners with the choice and opportunity to have Hydro One purchase their full property.

If a Property Owner qualifies for this circumstance, the opportunity to have Hydro One acquire the full property will be available for up to a one-year period from the date the Project is in-serviced. The voluntary buyout election will be included as part of the Offer and will only apply to Property Owners registered on title as of the date of the Offer. This principle will not apply to any successors in title during the one-year period or beyond.

In this circumstance, the Property Owner will have first selected either the easement or fee simple option (Section III, Parts B & C) and therefore prior payments of fair market value, injurious affection (if applicable) and the 'Premium Above Fair Market Value' incentive, will be deducted from the appraised full parcel fair market value determination.

# Principles Applicable to Voluntary Full Property Buyout Offers

# Valuation

The full parcel will be valued based upon 100% of the appraised fair market value of the entire subject property as of the date the Property Owner elects this option.

# Other Compensation

Hydro One commits to reimbursing Property Owners for reasonably incurred transaction costs (such as lawyer's fees) associated with the review and completion of applicable conveyancing documents.

Hydro One will consider on a case-by-case basis whether unique or exceptional circumstances exist which require the payment of additional compensation.

# F. Summary

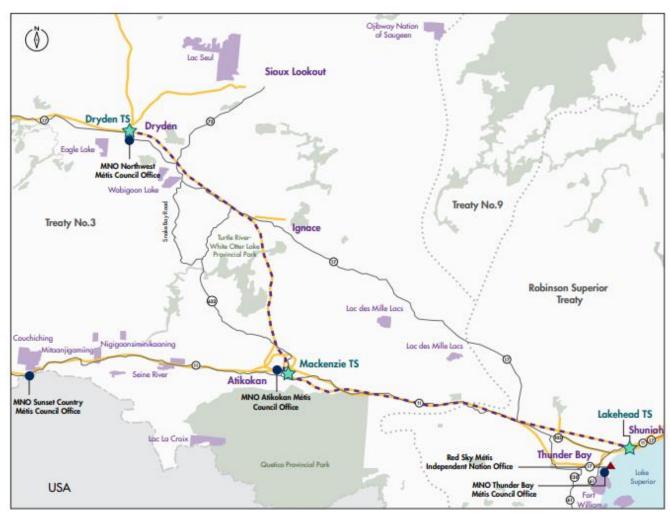
Hydro One aims to enter into option agreements with Property Owners to acquire an easement/fee simple interest in the Project Corridor or, if applicable, a mandatory/voluntary full property buyout. The land acquisition compensation principles (other than reimbursement of independent appraisal costs as discussed in Section II, Part F of this document) will be incorporated into the terms and conditions of the agreement(s) made between Hydro One and the Property Owners, which form part of the option agreement.

At the time the option agreement is registered, Hydro One will pay Property Owners an incentive compensation amount of \$10,000. Hydro One will pay the balance of the agreed upon compensation and incentive amounts if and when the Approvals for the Project are obtained and the option agreement is exercised by Hydro One.

Hydro One commits to having its Offer remain available to Property Owners until such time as Hydro One decides to seek expropriation authority status pursuant to Section 99 of the *OEB Act*. This step will happen only if and when required approvals for the Project have been obtained.

# **Appendix A**

# Map of 230 kV Transmission Corridor Route









# FOR MORE PROJECT INFORMATION:

www.HydroOne.com/Waasigan

Interactive Map: https://arcg.is/vb9G1

# **APPENDIX 4**

Description of Lands and Specific Interests in Lands over which

Authority to Expropriate is being Requested

### APPENDIX 4 - DESCRIPTION OF LANDS OVER WHICH AUTHORITY TO EXPROPRIATE IS BEING REQUESTED

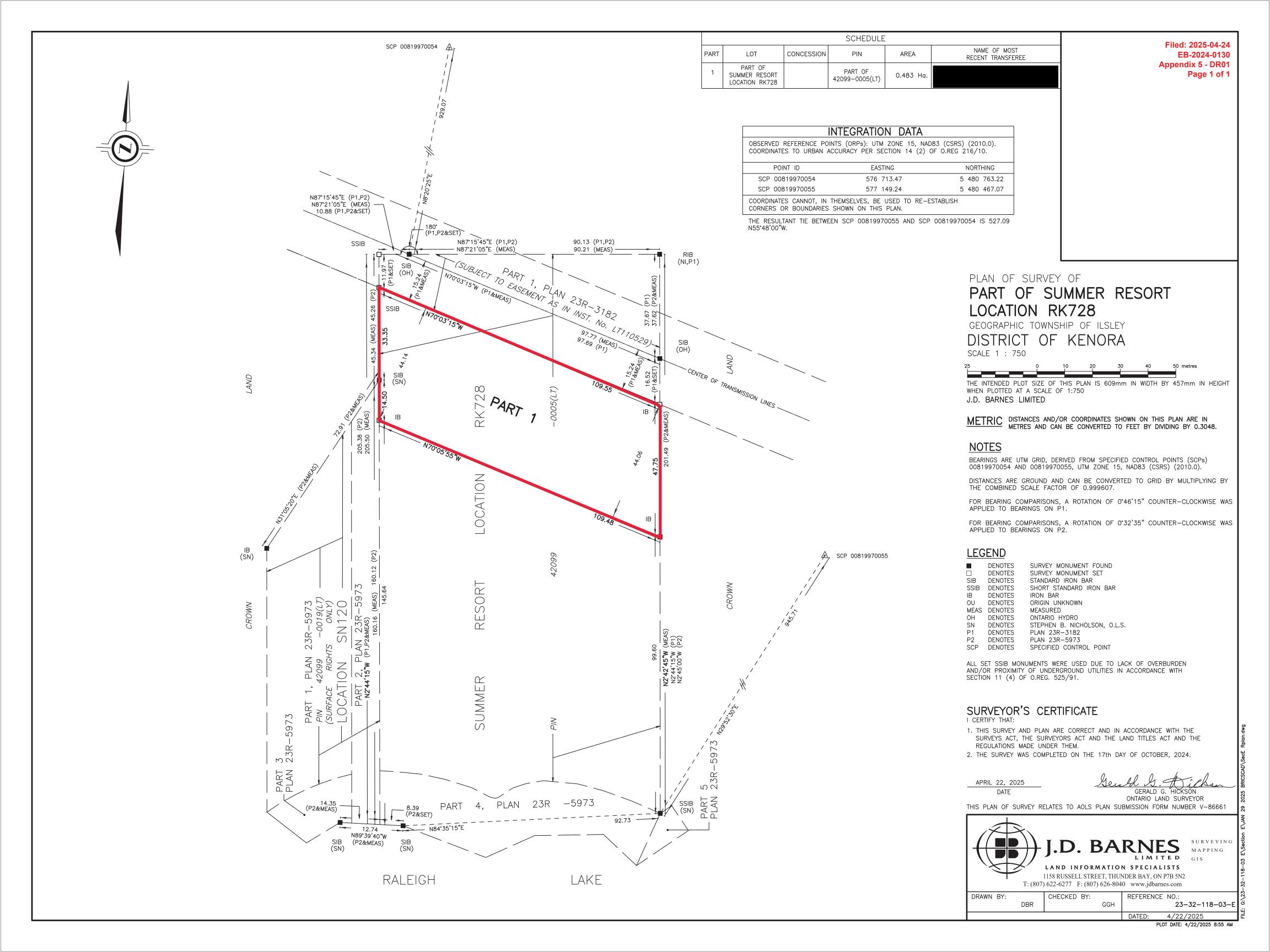
#	Hydro One File No.		Property Identification Number	Registered Property Owner Name(s)	Legal Description of Property (per Parcel Register)	General Description of Interest to be Expropriated	Name(s) of Other Registered Interest Holder(s) on Title	Type of Interest	Instrument	Voluntary Land Rights Agreement Status (as of April 24, 2025)
1	DR01 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42099-0005 (LT)		PPCL 17855 SEC DKF; SUMMER RESORT LOCATION RK728 ILSLEY; S/T LT110529; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement	LT110529	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR14 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42095-0042 (LT)		PT N1/2 LT 4 CON 5 MELGUND AS IN PA7606; EXCEPT LT30952, LT56230, LT56231 & PT 1, 23R8417; S/T LT102715, LT45836;; CITY OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45836 LT102715	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR15 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42095-0048 (LT)		PT N1/2 LT 5 CON 5 MELGUND AS IN PA16059; S/T LT101337;; CITY OF KENORA	Permanent Easement (Corridor)		Easement	LT101337	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR17 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42095-0024 (LT)		PCL 16228 SEC DKF; PT S1/2 LT 6 CON 6 MELGUND AS IN LT12260; S/T LT112664, LT45841; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45841 LT112664	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR18 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42095-0025 (LT)		PCL 16353 SEC DKF; S1/2 LT 7 CON 6 MELGUND; S/T LT101092, LT45839; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45839 LT101092	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
6	DR19 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42095-0027 (LT)		PCL 4560 SEC DKF; S PT BROKEN LT 8 CON 6 MELGUND AS IN PA3742; S/T LT102816, LT45924; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45924 LT102816	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
7	DR24 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42093-0185 (LT)		PCL 18406 SEC DKF; PT S PT LT 5 CON 4 SOUTHWORTH AS IN PA13564; S/T LT101742; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement	LT101742	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
8	DR25 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42093-0184 (LT)		PCL 6318 SEC DKF; N PT LT 5 CON 4 SOUTHWORTH AS IN PA4993; RESERVING THE ROW OF CANADIAN PACIFIC RAILWAY; S/T LT104819, LT45837; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45837 LT104819	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR26 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42093-0186 (LT)		PCL 12020 SEC DKF; MINING LOCATION HW405 SOUTHWORTH; N PT LT 6 CON 4 SOUTHWORTH AS IN PA9252; EXCEPT LT32338; S/T LT101417, LT45828; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45828 LT101417	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR42 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42089-0245 (LT)		PCL 14462 SEC DKF; PT BROKEN LT 2 CON 3 ZEALAND AS IN PA10767; S/T LT100952, LT45853; DISTRICT OF KENORA	Permanent Easement (Corridor)		Easement Easement	LT45853 LT100952	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR63 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42068-0007 (LT)		PCL 8000 SEC DKF; PT S 1/2 LT 19 CON 8 ZEALAND AS IN PAS931, EXCEPT PT 1 AND 5 KR717; DISTRICT OF KENORA; SUBJECT TO AN EASEMENT IN GROSS OVER PTS 3, 6 & 8 23R2596 AS IN KN41538	Permanent Easement (Corridor)		Easement	KN41538	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	of Exhibit A-1-1	Unorganized Township - District of Kenora	42068-0001 (LT)		PCL 7668 SEC DKF; SE 1/4 OF S 1/2 LT 20 CON 8 ZEALAND EXCEPT PT 1 23R6264; DISTRICT OF KENORA; SUBJECT TO AN EASEMENT IN GROSS OVER PTS 2, 7 & 9 23R2596 AS IN KN41538	Permanent Easement (Corridor)		Easement	KN41538	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
13	DR65 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42068-0005 (LT)		PCL 7686 SEC DKF; SW 1/4 OF S 1/2 LT 20 CON 8 ZEALAND BEING QUARRY CLAIM; DISTRICT OF KENORA; SUBJECT TO AN EASEMENT IN GROSS OVER PTS 1 & 10 23R2596 AS IN KW41538	Permanent Easement (Corridor)		Easement	KN41538	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR66 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42068-0002 (LT)		PCL 7671 SEC DKF; SE 1/4 OF S 1/2 LT 21 CON 8 ZEALAND; DISTRICT OF KENORA; SUBJECT TO AN EASEMENT IN GROSS OVER PTS 4 & 5 23R2589 AS IN KN41538	Permanent Easement (Corridor)		Easement	KN41538	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
	DR73 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42069-0178 (LT)		PCL 33862 SEC DKF; PT LT 2 CON 2 WAINWRIGHT PT 1, 23R5353; DISTRICT OF KENORA	Permanent Easement (Corridor)		Charge	KN108765	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
16	DR75 in Appendix 5 of Exhibit A-1-1	Unorganized Township - District of Kenora	42069-0173 (LT)		PCL 30891 SEC DKF; S PT BROKEN LT 3 CON 2 WAINWRIGHT PT 4, 5, 6, 7, 9, 10, 12 & 13, 23R4081; S/T LT100389, LT45848; DISTRICT OF KENORA; SUBJECT TO AN EASEMENT IN GROSS AS IN KN58216	Permanent Easement (Corridor)		Easement Easement Easement	LT45848 LT100389 KN58216	Voluntary Land Rights Agreement Offer Presented, but not yet entered into.
								Charge Assignment of Rent - General	KN98421 KN98422	

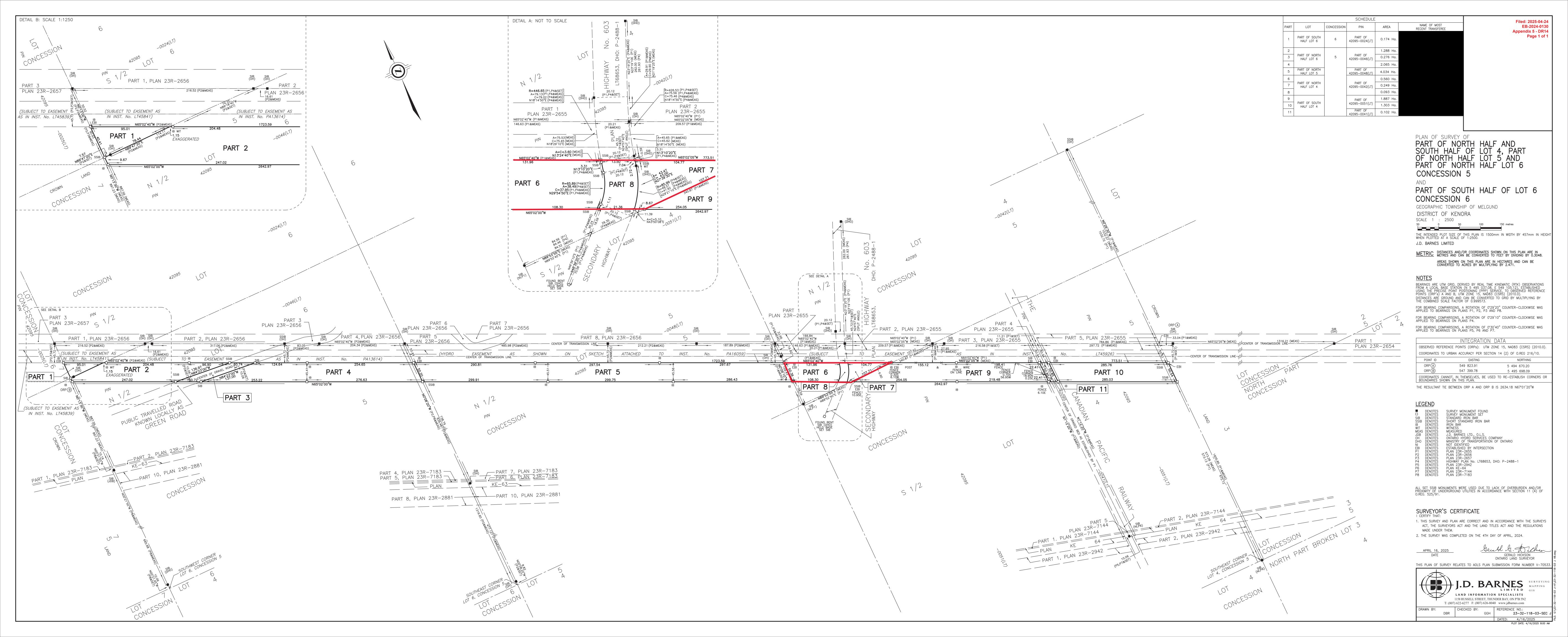
### Summary Information

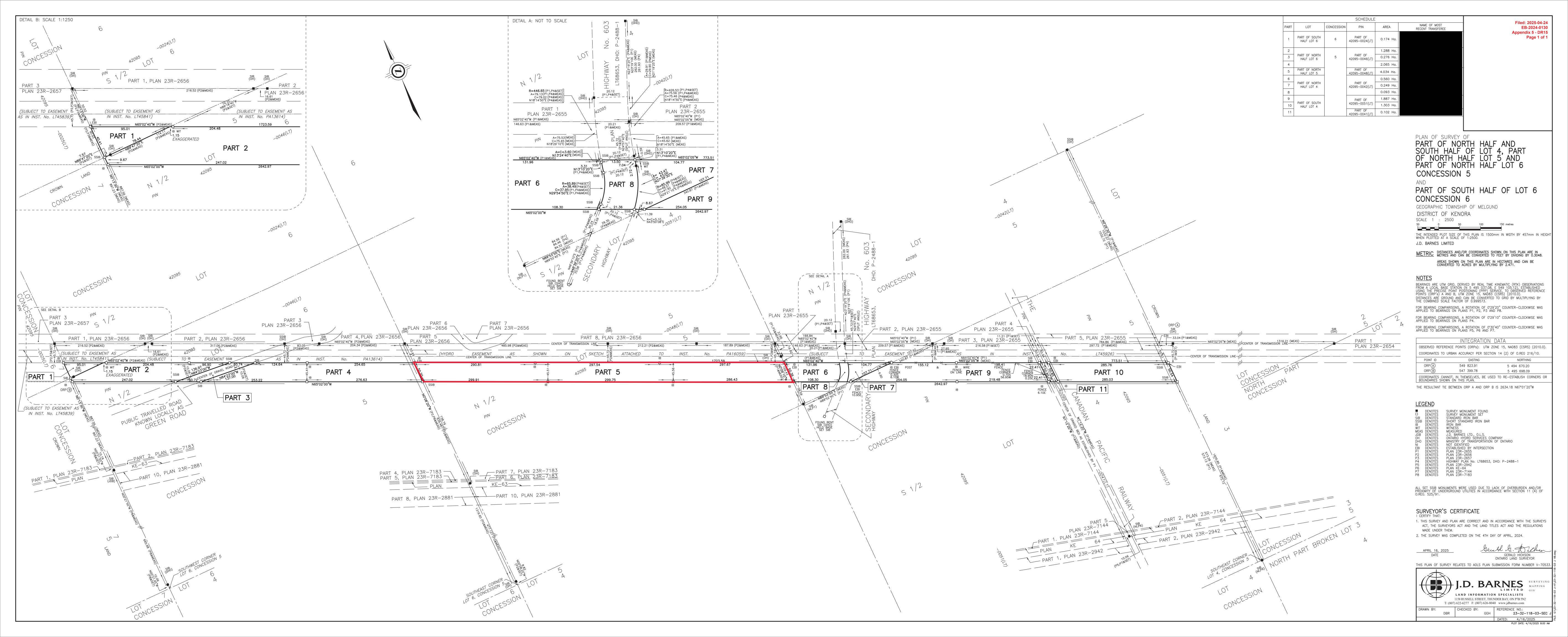
16	Total Properties Over Which Authority to Expropriate is Being Requested
16	No Voluntary Settlements Achieved
0	Voluntary Settlements Signed (Closings Pending)

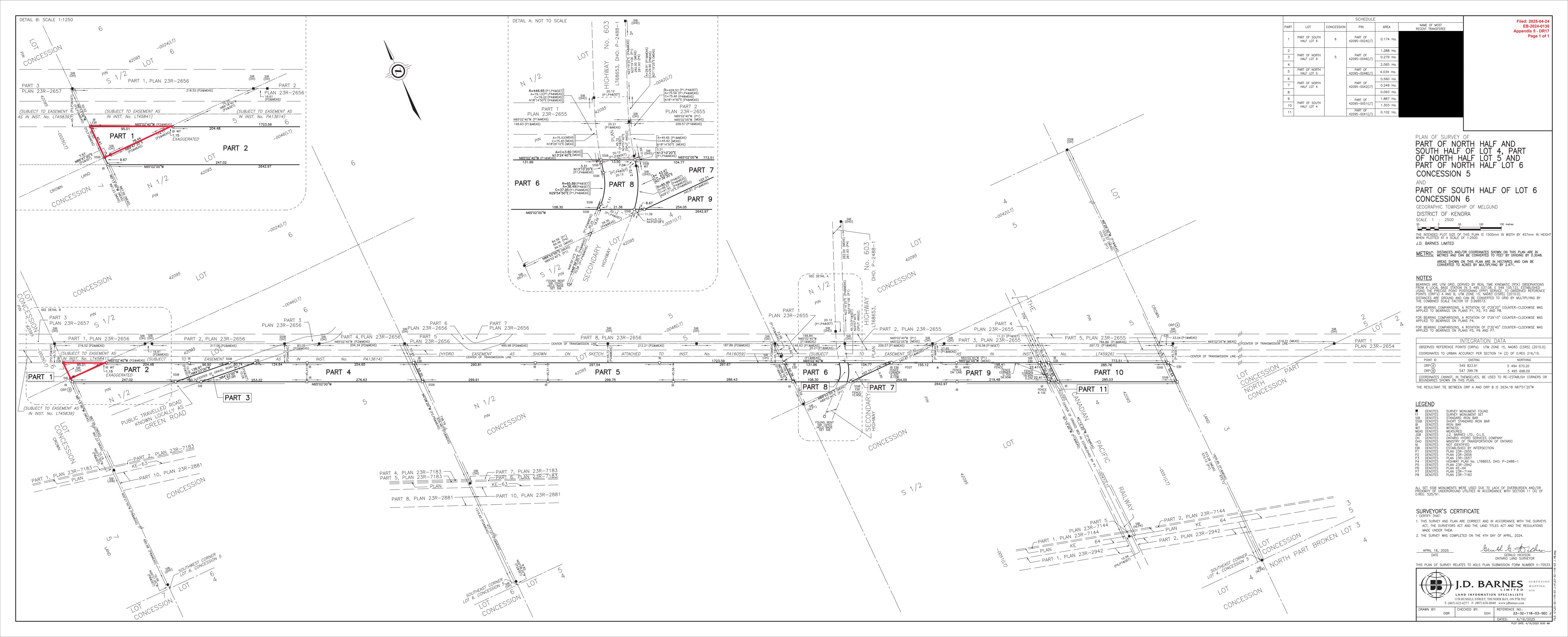
# **APPENDIX 5**

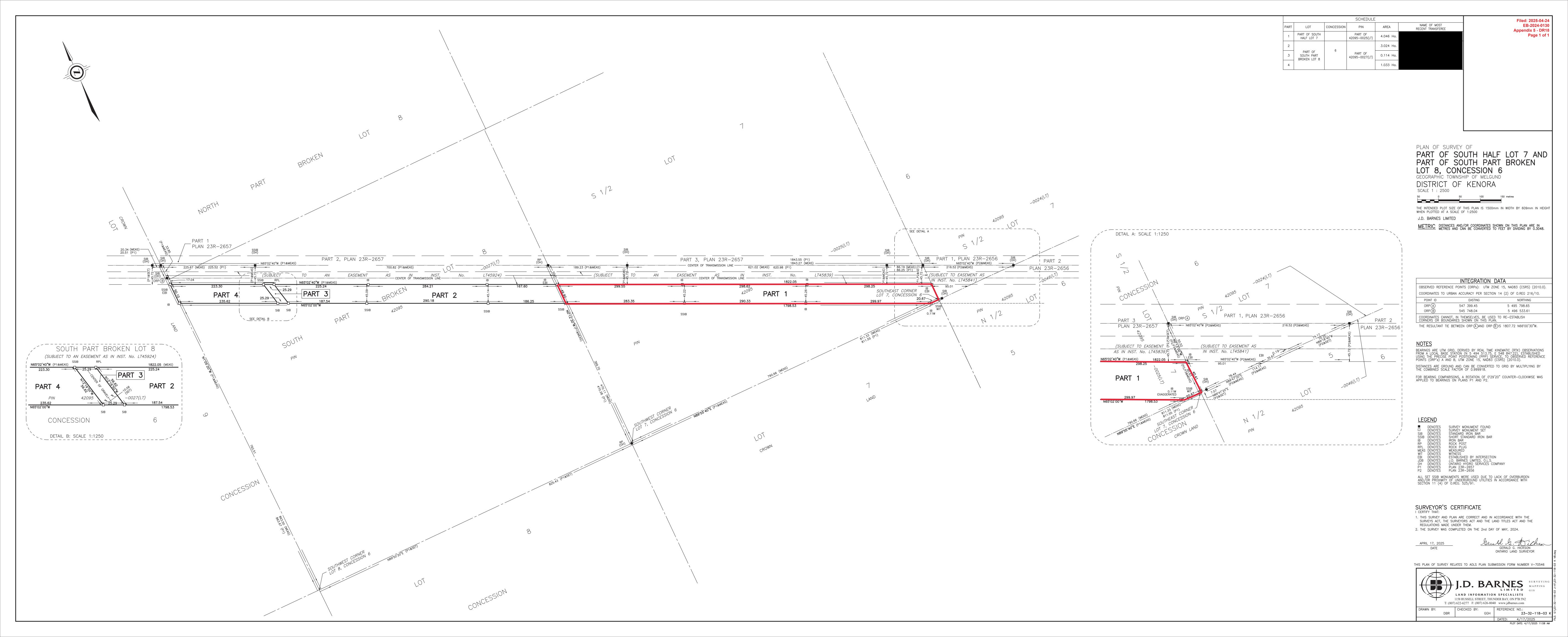
Reference Plans

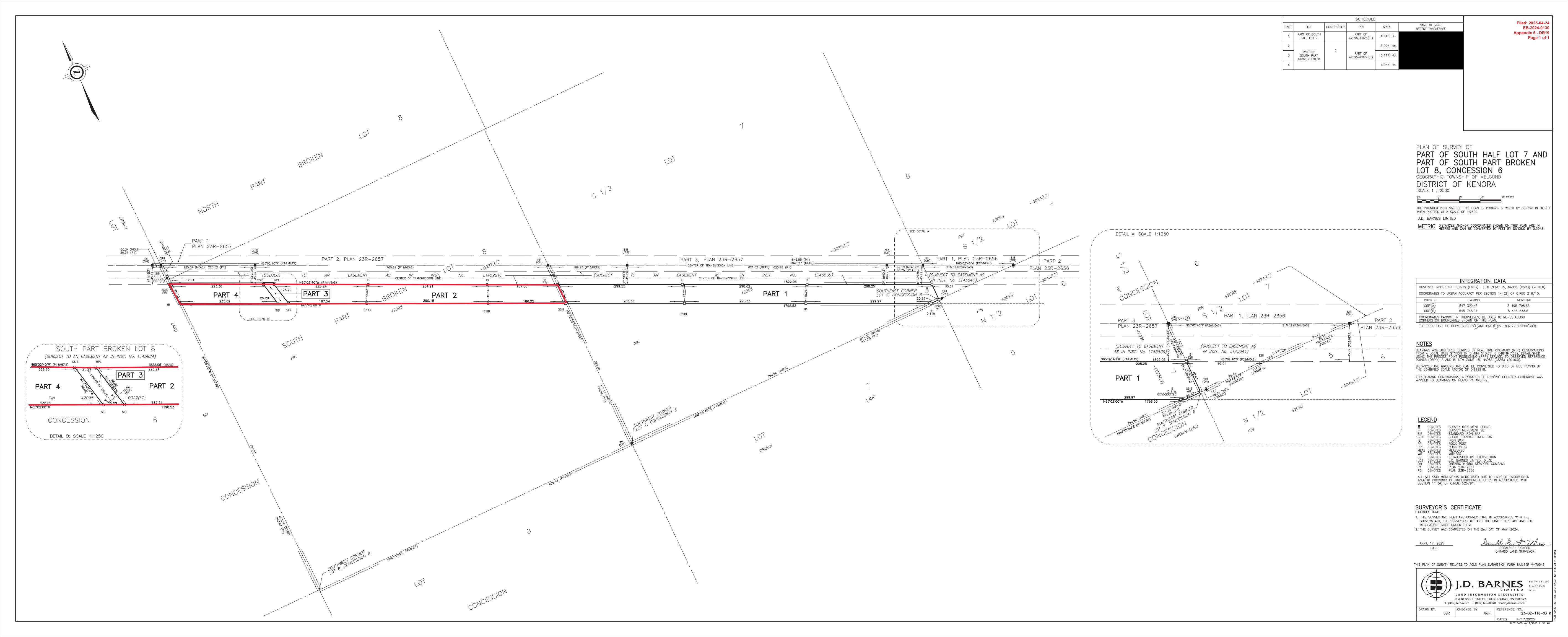


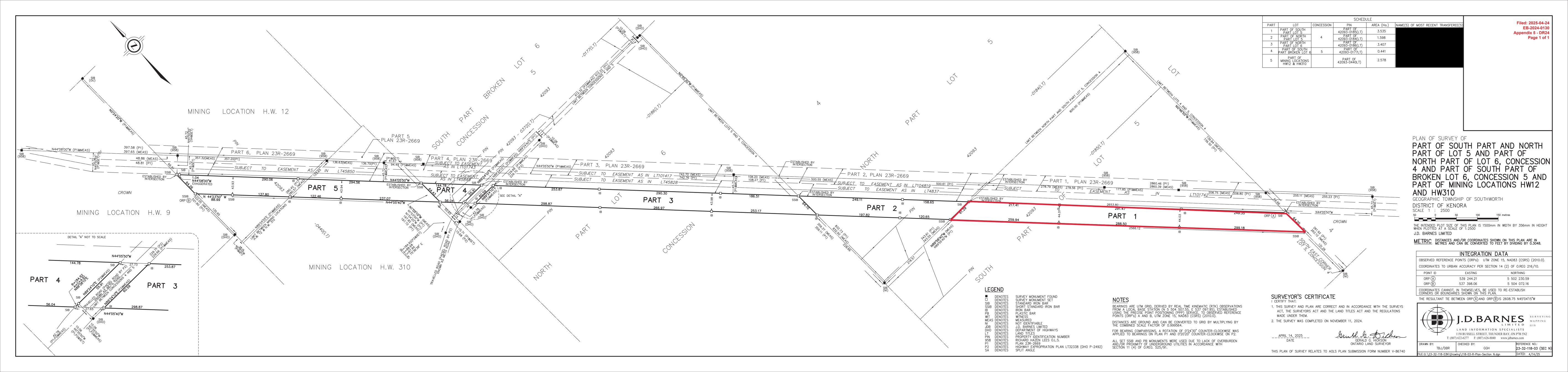


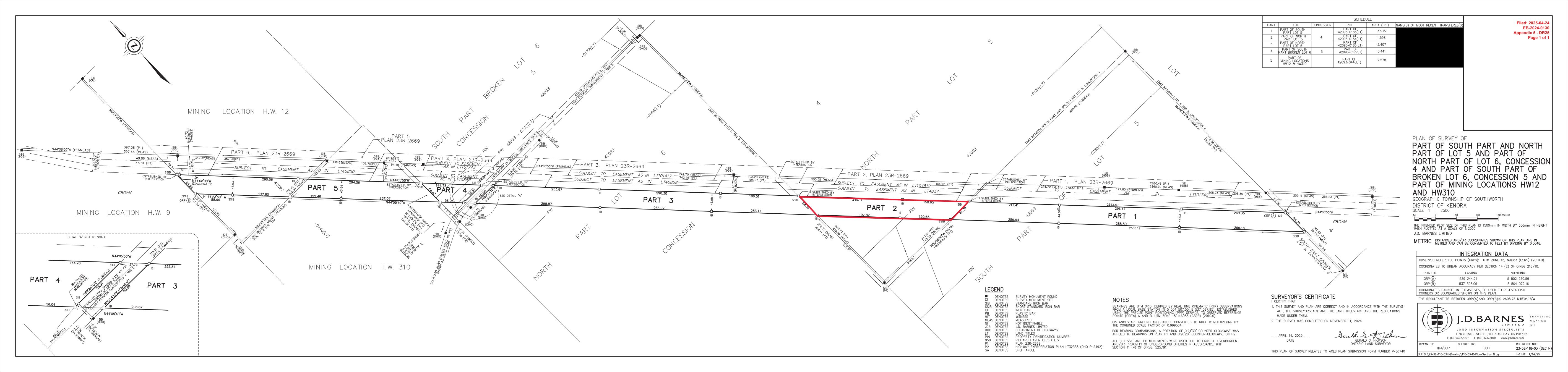


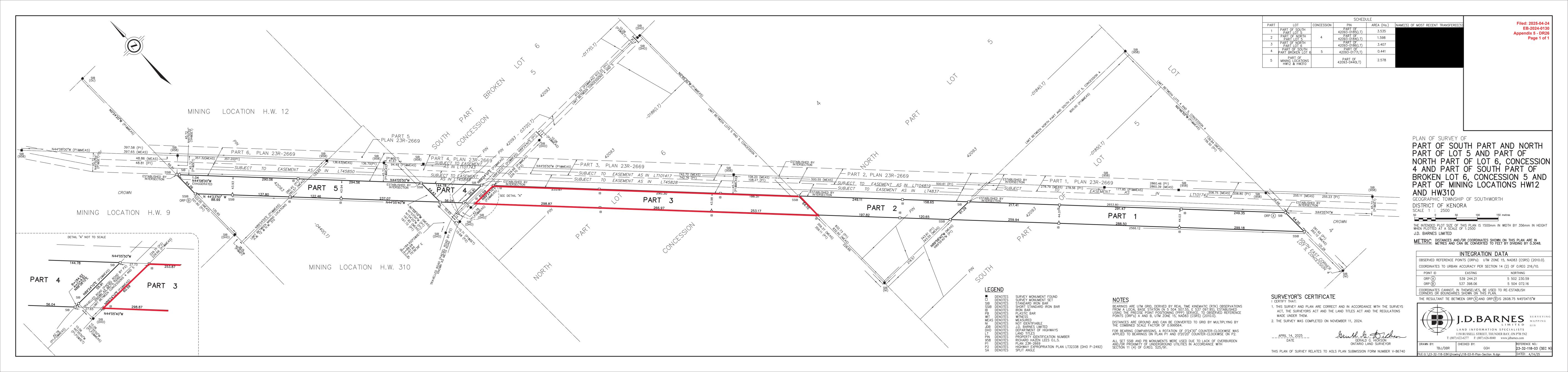


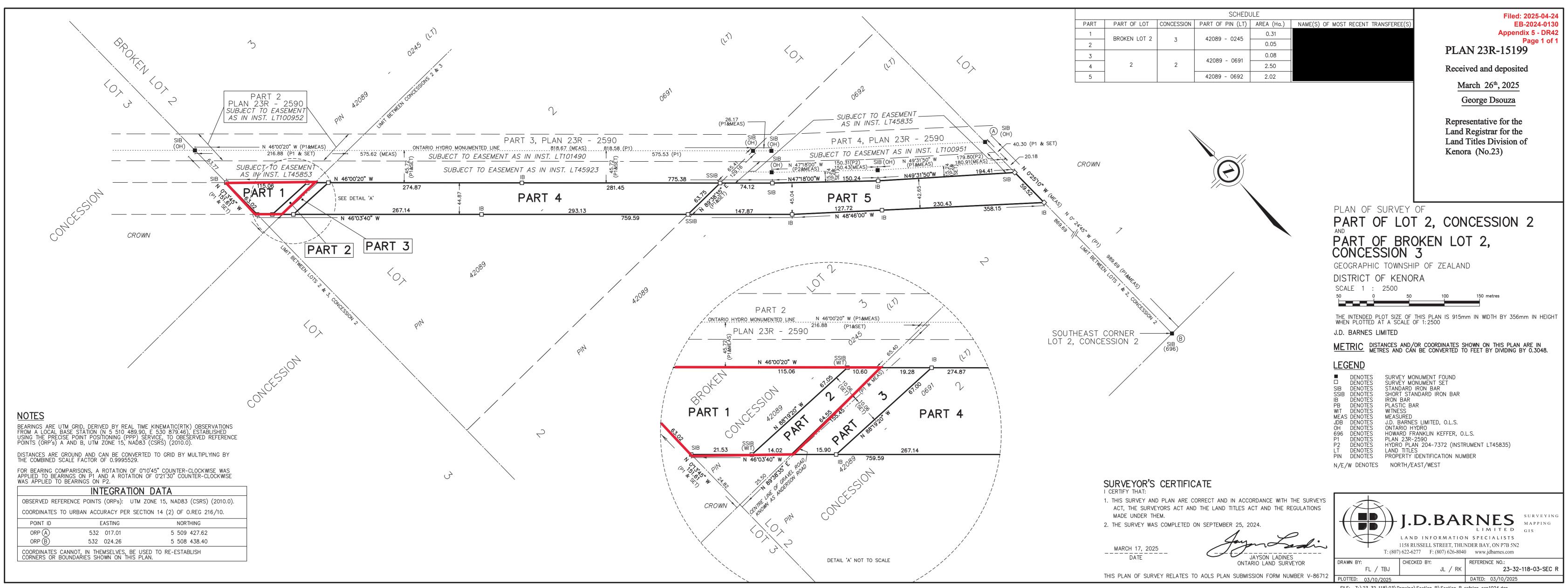


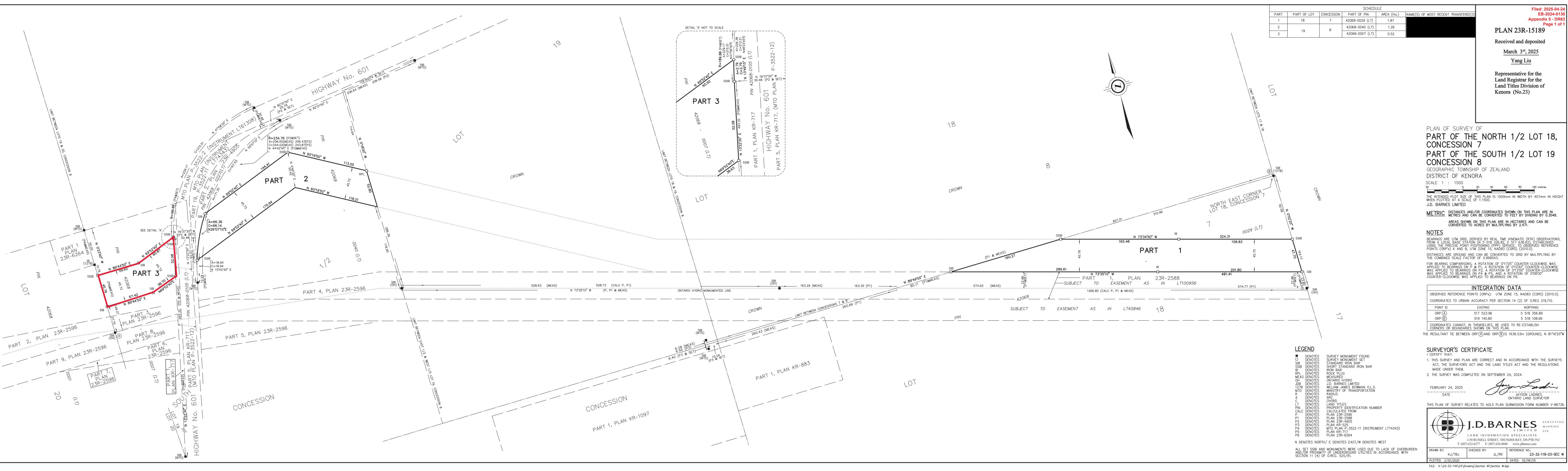












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JL/RK

PLAN 23R-15189

Received and deposited

March 3<sup>rd</sup>, 2025

Representative for the

Land Registrar for the Land Titles Division of

5 518 356.89

5 518 108.66

JAYSON LADINES

23-32-118-03-SEC W

Kenora (No.23)

