

May 15, 2015

VIA COURIER, EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0140 - East-West Tie Project

On January 22, 2015, the Ontario Energy Board (the “Board”) issued a decision ordering Upper Canada Transmission, Inc. (“UCT” or “NextBridge”) to update the Board on a revised development schedule for the East-West Tie expansion project (“EWT Project”). In addition to a revised development schedule, the Board required UCT to provide answers to the questions included at Appendix A to the Decision and Order. The said document also mentioned that if UCT chooses to seek approval for recovery of development costs in addition to those included in the Board-approved development cost budget, certain explanations have to be provided.

In the attached letter, NextBridge has provided an updated schedule for the EWT Project along with the required information, as well as the additional development costs for which it seeks recovery.

If the Board has any questions, please do not hesitate to contact me (krista.hughes@enbridge.com, 403-718-3552) or Edith Chin (edith.chin@enbridge.com, 416-753-7872).

Yours truly,

(Original Signed)

Krista Hughes
Senior Regulatory Counsel, Enbridge Pipelines Inc.

cc: Mr. B. Campbell, President and Chief Executive Officer, IESO
Mr. C. Marcello, President and Chief Executive Officer, Hydro One Networks Inc.

May 15, 2015

VIA COURIER, EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0140; East-West Tie Expansion Project – NextBridge Response to OEB January 22, 2015 Decision and Order

The purpose of this letter is to provide the response of Upper Canada Transmission, Inc. (“UCT” or “NextBridge”) required by the Board’s Decision and Order Regarding Reporting by Designated Transmitter issued on January 22, 2015 (the “January 2015 Order”).

The January 2015 Order arose from a response by NextBridge to a letter from the Board dated October 29, 2014 about the proposed East-West Tie Line electricity transmission project (the “EWT Project”). The January 2015 Order required NextBridge to provide certain information as part of a “further response” to the Board regarding a revised development schedule for the EWT Project. All of the information required by the January 2015 Order is provided in this letter and the attachments. Specifically, this letter contains NextBridge’s further response to the Board regarding the revised development schedule for the EWT Project and the cost implications of the revised development schedule.

Background

On September 30, 2014, the Ontario Power Authority wrote to the Board about the EWT Project. (The Ontario Power Authority is now the Independent Electricity System Operator and is referred to in this letter as either the “OPA” or the “IESO”, as appropriate.) In its letter, the OPA stated its view that there is merit in extending the in-service date of the EWT Project to allow for additional time to develop the project. The OPA recommended that the development schedule be extended to work toward a 2020 in-service date. The OPA said that it continues to support the EWT Project as the long-term alternative to supply Northwest Ontario and that it supports the continuation of development work on the project.

As a result of the OPA's letter, the Board wrote to NextBridge on October 29, 2014. The Board recommended that NextBridge and the OPA work together to produce a revised development schedule for the EWT Project. The Board indicated that the revised schedule should include, to the extent the OPA believes this is necessary, flexibility to allow the EWT Project to come into service quickly should the pace of demand growth in Northwest Ontario change. The Board's letter set out the minimum contents of the revised development schedule and required the revised schedule to be filed with the Board no later than December 19, 2014.

An earlier Decision and Order Regarding Reporting by Designated Transmitter issued by the Board on September 26, 2013 (the "September 2013 Order") had approved a Revised Development Schedule for the project that was attached at Appendix 1 to the September 2013 Order. On December 19, 2014, NextBridge filed a further revised development schedule in compliance with the Board's October 29th letter. (To avoid confusion with the Revised Development Schedule approved on September 26, 2013, the schedule filed on December 19, 2014 will be referred to as the "Extended Development Schedule".)

The filing with the Board made by NextBridge on December 19, 2014, including the Extended Development Schedule, proposed a development schedule for the EWT Project that would target the filing of a leave to construct ("LTC") application on December 15, 2017 and an in-service date of December 2020. The December 19, 2014 filing by NextBridge and the proposed Extended Development Schedule were supported by a submission from the OPA which also was dated December 19, 2014. In its submission entitled "East-West Tie Expansion Project Context for Revised Development Schedule", the OPA said that:

...the OPA supports the continuation of development work on the E-W Tie expansion. The OPA believes that it is in the ratepayer interest to maintain the viability of the EW Tie expansion project so that it can be brought into service as required.¹

In the January 2015 Order, the Board said that, given uncertainty about routing of the EWT Project through Pukaskwa National Park (the "Park"), and about access to the Park, the Board was not prepared at that time to approve the Extended Development Schedule. Instead, the Board relieved NextBridge from compliance with milestones in the Revised Development Schedule that were due for completion in January of 2015. As well, the Board said that it would require NextBridge to provide answers to questions set out in Appendix A to the January 2015 Order, which the Board said were designed to assist it in understanding the revised development schedule.

In the time since the issuance of the January 2015 Order, NextBridge has continued to refine its budget of costs for the period from the selection of the designated transmitter to the new target date for the filing of the LTC application. NextBridge has also

¹ OPA Submission dated December 19, 2014, at page 6.

assembled the information needed to answer the questions in Appendix A to the January 2015 Order, and has pursued the issue of routing through, and access to, the Park.

Updated Extended Development Schedule

Subsequent to the filing with the Board made on December 19, 2014, NextBridge has continued to assess schedule needs and requirements for the EWT Project. Based on this additional work, NextBridge has completed a further revised development schedule for the EWT Project (the “Updated Extended Development Schedule”). A copy of the Updated Extended Development Schedule is attached at Schedule A to this letter.

Consistent with the Extended Development Schedule submitted to the Board by NextBridge on December 19, 2014, the Updated Extended Development Schedule reflects a December 15, 2017 target filing date for the LTC application in order to meet a December 2020 in-service date for the EWT Project. The Updated Extended Development Schedule differs from the Extended Development Schedule only in that the target dates for certain milestones have been moved later into 2015 and early 2016 to accommodate currently anticipated timing for the full resumption of EWT Project development activity. Specifically, the target completion dates for milestones S, T, U, II and JJ have been shifted between one and three months later in time. Similar to the Extended Development Schedule before it, the Updated Extended Development Schedule was crafted to meet the in-service date of December 2020 regardless of whether the opportunity to study placement of the line through the Park materializes.²

The IESO, in its May 5, 2015 letter to UCT (attached at Schedule B), confirmed that a 2020 in-service date reflects the IESO’s most current information regarding the need for the EWT Project.

Based on NextBridge’s revised development schedule, in order to meet the 2020 in-service date for the project, NextBridge must ramp up its development activities in the second half of 2015. A delay in the ramp-up of development activities beyond that time-frame could jeopardize the in-service date of the EWT Project and, further, such a delay would cause a severe setback to project development. More specifically, the impacts of a lengthy pause in development activities include a substantial break in communication and interaction with Aboriginal communities, municipalities and landowners and other stakeholders along the route. There is also a risk of losing EWT Project-specific knowledge and experience if key project personnel are transitioned completely off the project. Typically, advancing project development activity earlier rather than later can also serve to increase cost certainty and potentially reduce overall project risks.

² This assumes no delay in Parks Canada authorization to build the EWT Project through the Park should the route through the Park prove to be the most suitable from an environmental, socio-economic and technical perspective.

Previously Completed Activities

In the filing made with the Board on December 19, 2014, NextBridge indicated that some milestones from the Revised Development Schedule need to be revisited, and it identified these milestones in Table 1 of that filing. NextBridge remains of the view that it may be necessary to revisit the milestones identified in Table 1 of the December 19th filing. The Board's question 5 in Appendix A to the January 2015 Order asks that, for activities previously indicated as "Completed", NextBridge describe what new work needs to be done and why.

The following is an explanation of work that relates to activities previously noted as "Completed":

- (1) Former milestone 5, "File request for a System Impact Assessment (SIA) with the IESO" and former milestone 9, "Receive final SIA from the IESO".

NextBridge executed a System Impact Assessment Study Agreement with the IESO in March of 2014 and on October 31, 2014, the IESO provided a final SIA report for the EWT Project to NextBridge. As noted in NextBridge's report to the Board filed on January 22, 2015, it may be necessary to ask the IESO to perform additional system impact analysis in the event that continued development activity results in a material change to the length of the EWT Project or some other material change arises in connection with the design, interconnection or other aspects of the project. If no such material changes arise, then additional system impact analysis will not be requested from the IESO.

- (2) Former milestone 11, "Complete design of Landowner, Community and Municipal Consultation Plan"

NextBridge completed its Landowner, Community and Municipal Consultation Plan on November 1, 2013. While a comprehensive rewriting of the Plan will not be required, updating of the Plan is necessary in order to incorporate additional consultation activities and plans in light of the material change to the length of the consultation period that corresponds with the Updated Extended Development Schedule.

- (3) Former milestone 13, "Finalize proposed route and obtain senior management approval"

NextBridge's senior management approved a Route Status Report dated July 1, 2014 that was based on the then-current

status of NextBridge's assessment of the proposed route alternatives and the work required to finalize a route for the EWT Project. As additional information becomes available through continuing activities such as Aboriginal consultation, environmental study, identification and assessment of alternatives, land investigation, detailed design and stakeholder engagement, further refinements will be made to the routes under consideration and a final route will be selected for submission as part of the environmental assessment ("EA") and the LTC application for the project.

Development Costs

According to the Board's Phase 1 Decision and Order in this proceeding issued on July 12, 2012 (the "Phase 1 Decision"), the selection of a transmitter for designation indicates, first, that the Board has found the transmitter's development costs to be reasonable and, second, that the development costs are approved for recovery.³ In this regard, the Phase 1 Decision reflects the contents of the Board's EB-2010-0059 Report on the Framework for Transmission Project Development Plans, dated August 26, 2010, in which the Board accepted that "designation should carry with it the assurance of recovery of the budgeted amount for project development".⁴

NextBridge was selected as the designated transmitter for the development phase of the EWT Project in the Board's EB-2011-0140 Phase 2 Decision and Order issued on August 7, 2013 (the "Phase 2 Decision"). In addition to selecting NextBridge as the designated transmitter, the Board found that the development costs budgeted by NextBridge are reasonable and it confirmed that NextBridge will be able to recover the costs of project development, up to the budgeted amount, even if the final assessment of need indicates that the EWT Project is no longer required.⁵

The EB-2010-0059 Report makes clear that, from the Board's perspective, development costs begin when a transmitter is designated and end when an LTC application is submitted.⁶ In the Phase 2 Decision, the Board found to be reasonable NextBridge's development costs (the "Board-Approved Costs") based on a development phase of approximately 18 months that was scheduled to end with the filing of a LTC application on January 28, 2015. The amount of the Board-Approved Costs is \$22,187,022 in 2012 dollars.

The establishment of a new in-service date for the EWT Project in 2020, together with a corresponding new target date for an LTC application, necessarily means an extension to the development phase for the project. The extension to the development period

³ Phase 1 Decision, at page 17.

⁴ EB-2010-0059 Report, at page 15.

⁵ Phase 2 Decision, at pages 41-42.

⁶ EB-2010-0059 Report, at page 15.

associated with a December 2020 in-service date adds 35 months to the development phase of the EWT Project and extends the development period from 18 months to a total of 53 months (the “Extended Development Period”).

Over the course of the Extended Development Period, NextBridge will incur costs that, for various reasons, were not expected to form part of the development phase of the project when the Board-Approved Costs were found to be reasonable. It is important that NextBridge obtain approval for recovery of costs to be incurred during the Extended Development Period for the same reasons as those that supported Board-approved recovery of costs during the original development phase of the EWT Project.

Development Activities to Date

At the time of the OPA’s September 30, 2014 letter to the Board, NextBridge had been working on the EA and the LTC application for the EWT Project. By that time, NextBridge had, among other things,

- ~ initiated discussions with landowners and obtained access (where possible);
- ~ hosted two rounds of open houses and numerous meetings with representatives of municipalities and government agencies along the route of the proposed transmission line;
- ~ developed and obtained Ministerial approval for terms of reference for the EA and initiated field study activity and socio-economic data collection along the route and route alternatives;
- ~ collected laser identification detection and ranging (“LiDAR”) and survey data along the route;
- ~ selected a conductor, completed detailed engineering of the lattice tower structures and initiated tower testing;
- ~ negotiated capacity funding agreements and a participation term sheet with the Bamkushwada group of First Nations; and
- ~ carried out extensive engagement and consultation with many of the 18 Aboriginal communities identified by the Ontario Ministry of Energy as potentially impacted by the EWT Project.

After the OPA sent its September 30, 2014 letter to the Board, NextBridge promptly took steps to conserve the Board-Approved Costs by slowing down development activity where possible and cost-effective to do so, by minimizing expenses to the extent practicable and by shifting the focus of the development team towards rescheduling analysis and a re-budgeting exercise. NextBridge successfully transitioned from an average monthly spend of approximately \$1.4 million per month in the fall of 2014 to a low spend of \$240,000 in March of 2015.

NextBridge’s analysis arising from the OPA’s letter started with scheduling considerations. NextBridge explored multiple scenarios for potential adjustments to the

project schedule, including several in-service dates ranging between 2018 and 2020 and variants of coupling or decoupling the EA and the LTC application. NextBridge consulted with the OPA in order to coordinate its efforts with the views of the OPA, a key contributor to establishing the need for the project.

The result of this thorough assessment was a conclusion that a December 2020 in-service date best reflects the OPA's current information regarding need, and that a decoupling of the EA and the LTC applications would work to optimize EWT Project development activities, and is consistent with the views of the OPA. As referenced above, during the course of this analysis, NextBridge also endeavored to frame a schedule that would be sufficiently flexible to allow for study of a route through the Park, should NextBridge be given the opportunity to conduct such a study, without jeopardizing the targeted in-service date.

Following the rescheduling analysis, NextBridge completed an assessment of the specific activities and corresponding costs required during the Extended Development Period. As part of its rigorous cost review and assessment, NextBridge accessed and engaged additional resources and expertise from within the NextBridge partner organizations to complete a bottom-up budgeting exercise and to ensure not only that anticipated costs are properly identified and estimated, but that such costs also are based on efficient project execution. NextBridge's budget of costs for the Extended Development Period was subjected to further scrutiny and oversight by the NextBridge Operations Committee and the Board of Directors.

Extended Development Period Activities and Corresponding Costs

As noted above, it is important that NextBridge obtain approval for recovery of costs to be incurred during the Extended Development Period for the same reasons as those that supported Board-approved recovery of costs during the original development phase of the EWT Project. NextBridge seeks approval of incremental development costs of \$23.2 million⁷ ("Extended Development Period Incremental Costs"). This amount is in addition to the Board-Approved Costs of approximately \$22.4 million approved in the Phase 2 Decision.⁸ The total approved costs for the 53-month Extended Development Period would be approximately \$45.6 million, compared to Board-Approved Costs for the original 18-month development period of approximately \$22.4 million.

As requested by the Board, NextBridge has provided a breakdown of the incremental Extended Development Period activities and corresponding costs in the table attached at Schedule C to this letter. The table attached at Schedule D to this letter consolidates the Extended Development Period Incremental Costs by work stream to match the format in NextBridge's reports to the Board.

⁷ Nominal dollars.

⁸ The Board-Approved Costs were in 2012 dollars, estimated to be approximately \$22.4 million at January, 2015.

The Board's question 6 in Appendix A to the January 2015 Order asks for additional information about costs, in the event that NextBridge seeks approval for recovery of development costs in addition to the Board-Approved Costs. The Extended Development Period Incremental Costs relate to a variety of incremental activities that generally can be placed into five different categories. The five categories of activities are: (1) activity to address the extension to the development period contemplated by the OPA's September 30, 2014 letter ("Project Extension"); (2) activity either required as a result of project scope changes or that has increased materially in cost since the 2013 designation proceeding ("Budget Variance/Scope Change"); (3) activity initially planned for one project phase that has now moved into another project phase ("Phase Shift"); (4) contingency; and (5) activity to study a route through Pukaskwa National Park ("Park Study"). Each of these categories is more fully described below.

(1) Project Extension

This category of work encompasses the incremental activities attributable to the OPA's recommendation that the target in-service date for the EWT Project be delayed from 2018 to 2020. These activities can be further grouped into two sub-categories, namely: (a) activities to address the specific circumstances arising as a result of the delay introduced by the OPA's letter; and (b) activities required because the development of the EWT Project will occur over an extended period of time. Each of these two sub-categories is elaborated on below.

(a) Specific Activities to Address Extension

The OPA's September 30, 2014 letter recommended that the in-service date of the EWT Project be extended to work toward a 2020 in-service date, that consideration be given to sequential EA/LTC development, and indicated that there would be value to Ontario ratepayers if NextBridge were to pursue the route through the Park. NextBridge has devoted substantial effort towards a satisfactory resolution of the Park access issue, and has incurred costs since September 30, 2014 associated with specific activities that it undertook in order to explore the possibility of a route through the Park, or at least access to the Park to study a route. These activities included: preparing correspondence and holding meetings with Ontario government representatives; meeting with federal government representatives; engaging with Aboriginal groups and facilitating Aboriginal group correspondence and engagement with federal and Provincial government representatives; engaging with various stakeholders regarding Park access; and further investigating data collection processes and permit application processes and timelines.

Additionally, it was necessary for NextBridge to engage in other activities to address the OPA's September 30, 2014 letter. These activities include the extensive rescheduling and re-budgeting work described above. As highlighted above, NextBridge worked with the OPA/IESO and government representatives in order to develop a revised schedule and a corresponding budget of costs to complete the development of the EWT Project

in the circumstances of the OPA's letter. The activities in this sub-category also include the work necessary to assemble information and provide explanations to assist the Board with an understanding of the implications of the OPA's letter.

(b) Activities Related to the Extended Development Period

The new target date of December 15, 2017 for filing an LTC application, based on an in-service date of December 2020, results in an Extended Development Period that is almost triple the length of the original development phase of the EWT Project.

A number of incremental activities arise directly from the extension of the development period. Although these activities are not necessarily new, the activities must be maintained over a longer period of time than originally anticipated, because it is neither advisable nor appropriate from a project development perspective to stop them.

For example, stakeholder engagement is designed to maintain relationships and keep the public informed and engaged as project development progresses. This involves keeping municipalities informed through meetings and correspondence, holding open houses at key times throughout project development, working closely with the environmental team to complete the stakeholder component of the EA as scheduled, and supporting the broader EWT Project by making available current and timely information and addressing concerns or issues as they arise.

NextBridge remains committed to proactive public communication and consultation programs and building and maintaining respectful and productive relationships with landowners, municipalities and communities engaged in, and affected by, the EWT Project. In order to fulfill this commitment, NextBridge considers that, at a minimum, activities during the Extended Development Period must include additional open houses, related municipal engagement, and maintenance of a continued EWT Project presence. In a similar manner, Aboriginal engagement activities must be continued over the Extended Development Period, resulting in material incremental development costs associated with Aboriginal Advisory Board functions, consultation activity and capacity funding arrangements with Aboriginal groups.

Other costs that must be continued over an extended period of time include rent for office space, the costs of preparing and maintaining financial statements and completing required reporting, and project management office salaries. NextBridge has made a focused effort to keep these costs to a minimum; for example, salaries over the Extended Development Period are limited to salaries for a Project Director, a Project Manager and one administrative position, while other staffing requirements are met by the NextBridge partners and contractors on an as-needed basis, with project development activities billed only in relation to activities undertaken on behalf of NextBridge.

The costs of activities related to Project Extension total approximately \$8.8 million over the Extended Development Period.

(2) Budget Variance/Scope Change

During the re-budgeting exercise, NextBridge undertook a thorough review of all baseline assumptions, and took the opportunity to explore and identify impacts of work undertaken to date on project development costs throughout the Extended Development Period. As a result of this assessment, NextBridge identified activities for which costs have increased materially since the 2013 designation proceeding. One example is Stage 2 archaeological assessment work (“Arch 2 Work”). In early 2013, NextBridge estimated that the cost of Arch 2 Work would be approximately \$800,000. Better information regarding archaeological potential made available through the Stage 1 archaeological assessment coupled with incorporation of a variety of methodologies to provide construction flexibility increases ground disturbance in the EWT Project area and has resulted in the Arch 2 Work now being expected to cost \$2 million to complete, resulting in an incremental development period cost of \$1.2 million.

A similar circumstance exists in relation to landowner engagement and stakeholder relations activity. The designation phase budget was based on a low level of objections from landowners or land rights holders along a single route and three contingent variants.⁹ During the course of project development activities, NextBridge has encountered highly engaged landowners, organized landowner groups, and community and municipal organizations seeking engagement in relation to the EWT Project. While cost containment measures have been introduced to mitigate the costs of this heightened level of activity, increased expenditures continue to be incurred to ensure responsible and meaningful interaction with stakeholders and to address concerns and suggestions raised by them.

Throughout the project development process, NextBridge has also adapted and responded to changed circumstances, including direction from external parties that has affected project requirements. As a result of NextBridge’s extensive re-budgeting analysis, it has assessed the impact of external events on project development costs. Instruction from the Ontario Ministry of Natural Resources and Forestry, for example, resulted in the need to complete a more expansive assessment of route alternatives and increased data collection activity to accommodate requests, among other things, for early submission of study detail that typically would have been provided at the permitting stage rather than the assessment stage.

The costs of activities related to Budget Variance/Scope Change total approximately \$8.6 million over the Extended Development Period.

⁹ UCT Application, at pages 123 and 124.

(3) Phase Shift

As stated above, Phase Shift activities are those originally planned for one project phase that have now moved into another project phase. NextBridge has identified two sets of costs initially scheduled to be incurred after filing of the LTC application for the EWT Project that are now anticipated to be incurred before filing of the LTC application.

According to the Revised Development Schedule, the EA and the LTC application were to be filed concurrently (specifically, the target date for filing the EA in the Revised Development Schedule was January 27, 2015 and the target date for filing the LTC application was January 28, 2015). On the advice of the OPA, the EA and the LTC application have been decoupled under the Updated Extended Development Schedule to enable a partially staggered development approach, with the EA proposed for submission approximately seven months in advance of the LTC application.

The Updated Extended Development Schedule calls for the EA to be submitted in May of 2017 and thus EA review is expected to be well under way by mid-2017, which is well in advance of the new target date for filing of the LTC application. As a result, it is necessary to pull forward costs related to EA review activity into the development phase of the EWT Project.

Land optioning and related activity to obtain consent from Crown disposition and interest holders ("Land Optioning") also gives rise to Phase Shift costs in the circumstances. Land Optioning starts once sufficient route certainty exists, and continues through to project energization. Generally speaking, additional time for Land Optioning negotiations results in a higher percentage of optioned landowners and interest holders, and a corresponding reduction in the number of expropriations required. Given NextBridge's preference to avoid adversarial and costly expropriation processes in the event that the EWT Project is determined to be in the public interest, 35 additional months of development phase offers a valuable opportunity to shift a component of Land Optioning activity into the development phase so as to maximize the opportunity to negotiate with rights holders. For this reason, early engagement will be pursued to minimize, and potentially eliminate, the need for expropriation at later stages of the project.

Together these activities result in incremental costs of approximately \$1.0 million moving into the development phase.

(4) Contingency

NextBridge has calculated additional contingency in the amount of approximately \$2.0 million, based on both known and unknown risks. Specific known risks and their associated mitigation activities were included in the determination of the contingency, relating to items such as: variability in the parcel count for land acquisition; funding for additional events and investments into local communities; studies related to species at

risk, which to date have not been encountered; and, if required, added administrative and management costs. For each activity, a proportion of the anticipated cost to mitigate was included based on the estimated likelihood of occurrence.

Additionally, NextBridge applied a percentage to the Project Extension cost category amount to account for unknown risks. Based on EWT Project experience to date, NextBridge has not limited contingency to engineering and design activity: contingency will be allocated to each work stream, as required by circumstances, during the balance of the development period.

(5) Park Study

The balance of the Extended Development Period Incremental Costs relate to activities required in order to study a route through Pukaskwa Park. Should access to the Park be granted, NextBridge has identified approximately \$2.9 million in activities required to effectively study a route through the Park, including development of Park-specific Aboriginal and non-Aboriginal consultation activities and open houses, additional field study planning and assessment activity, and additional engineering studies.

To date, NextBridge's efforts to gain access to the Park in order to study a possible route through the Park for a portion of the EWT Project have met with limited success. Since February 2014, Parks Canada has consistently rejected requests to authorize access to study in the Park, most recently evidenced in a letter from Parks Canada to the Ontario Deputy Minister of Energy (attached at Schedule E). Parks Canada cites restrictions in the *Canada National Parks Act* and Parks Canada's *Guiding Principles and Operational Policies* as the main rationale for denying access. After very clear indications from Parks Canada that access to the Park would not be permitted, NextBridge met with Parks Canada on May 8, 2015, in a last effort to determine whether there is any possibility of a different outcome on the Park access issue. While the expectation was to leave that meeting with a final, definitive answer, our First Nations partners raised matters that Parks Canada wished to review further.

While Parks Canada has requested additional time to review the concerns raised by First Nations proximate to the proposed project, NextBridge is mindful that maintaining a 2020 in-service date for the EWT Project to meet the need to supply electricity to Northwest Ontario continues to be a priority for Ontario. In an effort to respect both the need for an on-time in-service date and prudent expenditure of ratepayer dollars, Parks Canada has committed to work with NextBridge to resolve the issue in the next 30 days. From a scheduling perspective, a determination regarding Park access is required this summer to ensure sufficient time to obtain relevant permits and authorizations to meet a spring 2016 study season. Parks Canada is aware of these time constraints and is mindful of the studies and permits that would be needed. If access to study the Park is not granted by Parks Canada within 30 days, NextBridge will no longer pursue authorization to study in the Park, and conclude that the Park Study costs are not required by the EWT Project.

NextBridge expects to be able to advise the Board on or before July 1, 2015 if the Park Study funds are required. NextBridge is aware that in the January 2015 Order, the Board provided NextBridge with the option of requesting an extension for the update if NextBridge had not received a decision regarding Park access by April 30, 2015. In order to not jeopardize the in-service date, NextBridge elects not to request an extension, but rather respond on time. This should allow more time for the Board to review NextBridge's update, and the information provided should allow the Board to reach a timely decision in either scenario. If access to the Park is not granted, then the identified Park Study funds are not necessary, and the Extended Development Period Incremental Costs will be reduced accordingly to \$20.3 million.

Approval of Extended Development Period Incremental Costs

NextBridge proposes that the Extended Development Period Incremental Costs be approved by the Board in the same manner, and on the same basis, as the Board-Approved Costs. In accordance with the September 2013 Order, the Board-Approved Costs are recorded in the Development Cost Deferral Account ("DCDA"). NextBridge proposes that the Extended Development Period Incremental Costs also be recorded in the DCDA.

NextBridge has estimated that the annual revenue requirement associated with Extended Development Period Incremental Costs¹⁰ of \$23.2 million is approximately \$1.7 million.¹¹ This annual revenue requirement represents approximately 0.1% of the current revenue requirement of \$1.6 billion recovered through the Uniform Transmission Rate.¹² The impact of a 0.1% increase in the total revenue requirement underlying the Uniform Transmission Rate would be an increase of about \$0.014 on a typical residential electricity consumer's monthly bill.

NextBridge also proposes to provide the Board with additional information to assist the Board in reviewing the development progress of the EWT Project. Specifically, at the time of its January 2016 and January 2017 quarterly reports to the Board, NextBridge proposes to provide the Board with cost forecasts for the year subsequent to each respective report. With the cumulative knowledge on costs incurred to date, near-term forecasts, the latest need information, milestones' status and results from available studies, the Board would be in a position to evaluate if further regulatory action is required.

¹⁰ Note that the Phase Shift costs in the amount of \$1.0 million are incremental to the development phase, but are not incremental to total EWT Project costs, because they have been moved from one project phase to another without affecting the total cost of the EWT Project.

¹¹ This estimate assumes a constant annual revenue requirement over 30 years, capital of \$23.2 million, a 60/40 debt to equity ratio and a weighted interest rate of 6.5%.

¹² EB-2014-0357 Rate Order 2015 Uniform Electricity Transmission Rates, January 8, 2015.

Costs Not Included in the Board-Approved Costs

In its designation application, NextBridge noted that certain costs had not been included in its development costs budget. More specifically, NextBridge filed evidence in the designation proceeding indicating that the development costs budget did not include First Nation and Métis land acquisition costs and First Nation and Métis participation costs.¹³

Costs not included in NextBridge's development costs budget have been set out in NextBridge's monthly and quarterly reports to the Board in Table 2: Unbudgeted Costs¹⁴ since October 2013. To date, NextBridge has spent approximately \$1.6 million on these unbudgeted activities. At an appropriate time, NextBridge will include in an application to the Board a request for recovery of the unbudgeted costs from electricity ratepayers.

NextBridge's activities in relation to Aboriginal participation and access to First Nations lands are ongoing and will continue during the Extended Development Period. NextBridge proposes that the treatment of the unbudgeted costs of these activities during the Extended Development Period continue to be the same as it has been to date.

Conclusion

For the reasons set out above, NextBridge respectfully requests that the Board approve the Updated Extended Development Schedule as the new development schedule for the EWT Project. Should the Board consider it necessary or appropriate to do so, NextBridge asks that the Board amend or vary the September 2013 Order to substitute the Updated Extended Development Schedule for the Revised Development Schedule attached at Appendix 1 to the September 2013 Order.

NextBridge further requests that the Board approve the Extended Development Period Incremental Costs in the same manner, and on the same basis, as the Board-Approved Costs, subject to the conditions described above.

In the Phase 2 Decision, the Board drew upon its powers under sections 70, 74 and 78 of the *Ontario Energy Board Act, 1998* to give effect to its decision, including the determinations that it made in respect of the Board-Approved Costs. NextBridge respectfully submits that those powers apply equally to support the approvals requested by NextBridge in this letter.

As a result of its efforts to conserve the Board-Approved Costs, NextBridge expects that the spending of the remainder of the Board-approved amount can be stretched out to sustain NextBridge's activities in respect of the EWT Project until August 1, 2015.

¹³ NextBridge Response to Interrogatory 26 to all applicants.

¹⁴ See for example NextBridge Report dated April 22, 2015 at page 9.

Beyond August 1, 2015, it will become necessary for NextBridge to begin to increase its activity levels in order to meet the Updated Extended Development Schedule. As NextBridge moves ahead with a ramp-up of the activities needed to meet the Updated Extended Development Schedule, it will be increasingly limited in its ability to conserve and stretch out the Board-Approved Costs.

If the Board has any questions about this letter, please do not hesitate to contact us in that regard.

Yours truly,

(Original Signed)

Eric Gleason
President,
Upper Canada Transmission, Inc.

Updated Extended Development Schedule

Engineering

	Milestone	Proof of Completion	Target Date	Achieved
A (formerly 1)	Initiate engineering	Request for Proposal for engineering	13 Sep 2013	X
B (formerly 2)	Sign contract for engineering	Executed contract	31 Oct 2013	X
C (formerly 3)	Finalize design criteria for conductor and structure	Design criteria report	31 Jan 2014	X
D (formerly 4)	Complete conductor optimization study	Completed study	7 Mar 2014	X
E (formerly 5)	File request for a System Impact Assessment (SIA) with the IESO	Confirming correspondence	12 Mar 2014	X
F (formerly 6)	Status report on progress toward finalization of structure choice	Status Report	31 Mar 2014	X
G (formerly 7)	Obtain senior management approval of the structure configuration proposal	Structure Selection Report	1 July 2014	X
H (formerly 8)	Complete aerial surveys	Aerial surveys report	14 Oct 2014	X
I	Complete Preliminary Foundation Design	Confirming Correspondence	15 Sep 2016	
J	Complete Engineering "Issued-for-bid" Design Package	Confirming Correspondence	9 June 2017	
K	File request for updated System Impact Assessment (SIA) as required	Confirming Correspondence	3 Apr 2017	
L	File request for updated Connection Impact Assessment (CIA) as required	Confirming Correspondence	14 July 2017	
M	Receive final SIA from the IESO	Confirming Correspondence	13 Oct 2017	
N	Receive final CIA from HONI	Confirming Correspondence	13 Oct 2017	

Route Selection, Land/ROW Acquisition and Community/Municipal Consultation Page 2 of 4

	Milestone	Proof of Completion	Target Date	Achieved
O (formerly 10)	Prepare list of landowners along the ROW	Line list	10 Oct 2013	X
P (formerly 11)	Complete design of Landowner, Community and Municipal Consultation Plan	Consultation plan	1 Nov 2013	X
Q (formerly 12)	Commence negotiations or discussions with all landowners and permitting agencies	Confirming correspondence	25 Nov 2013	X
R (formerly 13)	Finalize proposed route and obtain senior management approval	Final route report	1 July 2014	X
S	Confirmation of authorization to study in Pukaskwa National Park	Confirming Correspondence	15 June 2015	
T	Update Landowner, Community and Municipal Consultation Plan	Updated Plan	15 Jan 2016	
U	Issue RFP for Timber Valuation	Award Letter	1 Feb 2016	
V	Establish Community Advisory Board(s) as required	Proposed Terms of Reference for the Community Advisory Board	31 Dec 2015	
W	Initiate land optioning program	Instruction letter to Land Agent to initiate optioning activity	31 Mar 2016	
X	Substantial completion of distribution of option agreements	Line list and sample package of documents	30 Nov 2016	
Y	Finalize preferred route and obtain senior management approval (update to Milestone R)	Preferred Route Report	7 Apr 2017	
Z	Substantial completion of signing of option agreements	Acquisition Status Report	31 Aug 2017	
AA	Crown Land Disposition Application filed	Confirming correspondence	15 Sep 2017	
BB	Notify landowners of LTC application filing	Line List and Notice Letter	15 Dec 2017	

Aboriginal Engagement, Consultation and Participation

	Milestone	Proof of Completion	Target Date	Achieved
CC (formerly 14)	Send introductory correspondence to aboriginal communities	Confirming correspondence	30 Aug 2013	X
DD (formerly 15)	Initial meeting with Ministry of Energy regarding the MOU for delegation	Confirming correspondence	15 Sept 2013	X
EE (formerly 16)	Complete initial/introductory contact with all aboriginal communities identified by the Ministry of Energy	Confirming correspondence	30 Sept 2013	X
FF (formerly 17)	Sign MOU with Ministry of Energy regarding the delegation	Executed MOU	5 Nov 2013	X
GG (formerly 18)	Complete design of First Nations and Métis Participation Plan with community input	Participation plan	2 Jan 2014	X
HH (formerly 19)	Complete design of First Nations and Métis Consultation Plan with community input	Consultation plan	2 Jan 2014	X
II	Establish Aboriginal Community Advisory Board(s)	Proposed Terms of Reference for the Community Advisory Board	1 Feb 2016	
JJ	Develop plan for Aboriginal Training and Employment	Plan	2 May 2016	
KK	Prepare Pukaskwa Park specific Aboriginal consultation plan as required	Plan	2 Feb 2016	

Environmental Assessment (Provincial)

	Milestone	Proof of Completion	Target Date	Achieved
LL (formerly 20)	Consult with environmental agencies (Ministry of Environment, Ministry of Natural Resources, Parks Canada and Ontario Parks)	Confirming correspondence	10 Oct 2013	X
MM (formerly 21)	Issue notice of draft Terms of Reference (ToR) available for review	Public advertisement of draft ToR	16 Jan 2014	X
NN (formerly 22)	File Environmental Assessment ToR	Confirming correspondence	28 Feb 2014	X
OO (formerly 23)	Initiate wildlife, aquatics and early season vegetation assessments	Plan outlining summer programs	1 May 2014	X
PP (formerly 24)	Approval of Environmental Assessment ToR	Confirming correspondence	3 July 2014	X
QQ	Field Studies Resumed	Field Plan	16 May 2016	
RR	Submit Draft Environmental Assessment (EA) Report for MOECC Review	MOECC Receipt Confirmation	25 Nov 2016	
SS	Submit Draft EA Report for Public Comment	MOECC Receipt Confirmation	24 Jan 2017	
TT	Complete Consultation Summary for the EA Submission	MOECC Receipt Confirmation	4 May 2017	
UU	Submit Final EA to MOECC	MOECC Receipt Confirmation	4 May 2017	

Regulatory

	Milestone	Proof of Completion	Target Date	Achieved
VV	IESO 2015 Needs Assessment update	IESO need update report	15 Dec 2015	
WW	IESO 2016 Needs Assessment update	IESO need update report	15 Dec 2016	
XX	IESO Confirmation of Need	IESO confirming correspondence	31 May 2017	
YY (formerly 27)	Submit LTC application	Application	15 Dec 2017	



Independent Electricity
System Operator

1600 - 120 Adelaide Street West
Toronto, ON M5H 1T1
t 416 506 2800

www.ieso.ca

May 5, 2015

Mr. Eric Gleason
President
Upper Canada Transmission, Inc.
390 Bay Street, Suite 1720
Toronto, ON, M5H 2Y2

Dear Mr. Gleason

Re: EB-2011-0140 East-West Tie Line Expansion Project - Revised Development Schedule

In its January 22, 2015 Decision and Order Regarding Reporting by Designated Transmitter, the Ontario Energy Board ("OEB") requested that Upper Canada Transmission, Inc. ("UCT") provide confirmation that UCT's revised development schedule is consistent with advice received from the Independent Electricity System Operator ("IESO"). To that end, the IESO is able to provide the following in support of UCT's upcoming OEB filing in the above noted matter.

Consistent with the Ontario Power Authority¹ December 19, 2014 submission to the OEB regarding the East-West Tie development schedule, the IESO confirms that the 2020 in-service date reflects the IESO's most current information regarding the need for the East-West Tie expansion project. The IESO continues to recommend the East-West Tie as the preferred alternative to maintain a reliable and cost-effective supply of electricity to the Northwest over the long term. As well, the IESO supports the development work on the East-West Tie based on the revised development schedule submitted by UCT.

As indicated in our December 19, 2014 submission, should any major changes affecting the timing or need for the East-West Tie expansion occur between scheduled reporting dates, the IESO will provide an interim update to the OEB advising of these changes.

Yours truly,

Michael Lyle
Vice-President, Planning, Law and
Aboriginal Affairs

cc: Ms. Kirsten Walli, OEB

¹ On January 1, 2015 the Ontario Power Authority merged with the IESO, creating a new organization that carries the name IESO. The new IESO combines the previous mandates of both former organizations.

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
<u>Project Extension</u>								
	1) Update Stakeholder Relations Consultation Plan	Extended Development Period	No	N/A	No	10,000	To consider and revise Consultation Plan to address changed circumstances arising from extended development period.	No
	2) One additional round of open houses	Extended Development Period	No	N/A	No	310,000	To prepare and deliver one round of open houses at 8 locations within EWT Project area as part of broader stakeholder relations consultation program to keep public and stakeholders abreast of EWT Project development activity.	No
	3) Aboriginal capacity funding expenditures	Extended Development Period	No	N/A	No	1,260,000	Provision of financial resources to facilitate meaningful Aboriginal participation in consultation activity required throughout the extended development period, including enhancement of traditional knowledge studies and skills development.	No
	4) Aboriginal consultation costs	Extended Development Period	No	N/A	No	1,510,000	To engage in ongoing Aboriginal consultation activity throughout the extended development period with the 18 communities identified by the Crown as potentially impacted by the EWT Project, including ongoing community meetings to discuss the EWT Project, skills development and employment opportunity discussions.	No
	5) Aboriginal Advisory Board	Extended Development Period	No	N/A	No	90,000	To facilitate ongoing Aboriginal Advisory Board meetings and honoraria for member participation throughout the extended development period.	No

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
	6) Additional performance-based ratemaking (PBR) consultation	Extended Development Period	No	N/A	No	30,000	To revisit, update and re-engage stakeholders and other interested parties regarding PBR matters during preparation of the LTC application.	No
	7) Stakeholder engagement program	Extended Development Period	No	N/A	No	300,000	Stakeholder relations consultation program to keep public and stakeholders abreast of EWT Project development activity over extended development period, including preparing EWT Project update materials, tracking and responding to inquiries, website and database management and municipal meetings.	No
	8) Ramp-up of LTC preparation	Extended Development Period	No	N/A	No	60,000	To revisit LTC requirements, re-establish LTC application preparation schedule, complete additional LTC draft cycle, as well as liaising with IESO regarding incremental needs analyses.	No
	9) Accounting back office, internal reporting and procurement support	Extended Development Period	No	N/A	No	300,000	To facilitate accounting, internal financial reporting, EWT Project decision documentation and procurement support throughout extended development period.	No
	10) Support functions for EWT Project development work from all work streams	Extended Development Period	No	N/A	No	1,290,000	Multi-disciplinary review of workstream activities in furtherance of EWT Project development to ensure consistency and alignment.	No
	11) EWT Project office salaries and overheads	Extended Development Period	No	N/A	No	1,700,000	To maintain office lease, utilities, salaries for Project Director, Project Manager and one administrative position and miscellaneous overhead throughout extended development period.	No

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
	12) Update System Impact Assessment (SIA) and Customer Impact Assessment (CIA)	Extended Development Period	No	N/A	No	60,000	To revisit and update SIA and CIA in the event that material modifications to design, interconnection or route length arise during extended development period activity.	No
	13) Supplemental socio-economic assessment	Extended Development Period	No	N/A	No	170,000	Supplemental socio-economic data collection to ensure currency of information collected.	No
	14) Preparation of revised EWT Project schedule & budget	OPA Letter	No	N/A	In part	890,000	To revisit and revise project execution strategy, scope, schedule and budget to address extending the EWT Project in-service date to 2020.	No
	15) May 15, 2015 submission review costs	OPA Letter	No	N/A	No	310,000	To present revised schedule for approval and budget of costs for recovery before the OEB	No
	16) Pursuit of authorization to study route through Pukaskwa National Park (Park)	OPA Letter	No	N/A	Yes	100,000	To prepare and implement a government relations strategy with the objective of gaining access to study a route through the Park.	No
	17) Proponent information tax returns	Extended Development Period	No	N/A	No	50,000	To fulfil Canada Revenue Agency tax reporting requirements for NextBridge Infrastructure LP over the extended development period.	No
	18) Annual audit of EWT Project financial statements	Extended Development Period	No	N/A	No	140,000	Annual Audit of financial statements over the extended development period.	No
	19) OEB quarterly reporting	Extended Development Period	No	N/A	No	220,000	To fulfil transmitter licence reporting requirements over the extended development period.	No
						8,800,000		
							PROJECT EXTENSION SUBTOTAL	

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
<u>Budget Variance/Scope Change</u>								
	20) Expanded alternatives assessment	Scope Change	No	N/A	No	110,000	Costs associated with completing a detailed alternatives assessment considering over 30 additional alternative routes around communities, parks, reserves and protected areas in response to MNRF and MOECC instruction and stakeholder engagement.	No
	21) Incremental field studies and access route assessment	Scope Change	No	N/A	No	2,210,000	As a result of interaction with MNRF, additional environmental assessment and field study activity was determined to be required in relation to an expanded area, including access roads, laydown and difficult to access areas. The MNRF also requires significantly more detailed information on all aspects of the undertaking such as location of aggregate resources, detailed fisheries assessments, location of temporary laydown yards and man camps, typically associated with the permitting stage following approval of the EA.	No
	22) Incremental environmental permits	Scope Change	No	N/A	No	410,000	Additional costs for environmental permitting acquisition and related activities for the incremental EA field work identified in 21) above.	No
	23) Establish incremental study area and required activities	Scope Change	No	N/A	No	120,000	To work with MNRF and other agencies to delineate incremental study area and corresponding additional assessment activities identified in 21) above.	No

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
	24) Incremental socio-economic assessment	Scope Change	No	N/A	No	170,000	To complete additional socioeconomic data collection related to expanded study area identified in 21) above.	No
	25) Capacity funding agreements	Budget Variance	No	N/A	No	480,000	Increased capacity funding support provided to Aboriginal communities to facilitate traditional knowledge data collection and consolidation.	No
	26) Archaeology Stage 2 study	Budget Variance	No	N/A	No	1,270,000	Additional costs to complete Stage 2 archaeological assessment in relation to a larger area than originally anticipated. This is partially due to better information regarding archaeological potential made available through Stage 1 archaeological study, and partially due to incorporating a variety of methodologies to provide construction flexibility, which increases ground disturbance in the EWT Project area.	No
	27) Timber valuation	Budget Variance	No	N/A	No	210,000	Costs to assess timber values on Crown and private land to further land appraisals and land rights optioning.	No
	28) Engineering review	Budget Variance	No	N/A	No	250,000	To complete a review of EWT Project for the LTC application for the purpose of design validation, cost estimate validation and project readiness.	No
	29) Land title review activity	Budget Variance	No	N/A	No	170,000	Additional costs to purchase and review title and encumbrance documents in support of third party agreement negotiations, which are more extensive than anticipated.	No

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
	30) Legal support for land activity	Budget Variance	No	N/A	No	340,000	Costs related to legal support required to review and execute land agreements, particularly complex in relation to Crown disposition rights holders.	No
	31) Compliance tracking and safety coordination & monitoring	Budget Variance	No	N/A	No	110,000	To track compliance with commitments made by NextBridge over the course of the designation and development phases of the EWT Project, as well as to tailor safety processes and compliance monitoring for the EWT Project.	No
	32) Community Investment	Budget Variance	No	N/A	No	40,000	Costs to support EWT Project area communities through funding and participation in events and activities.	No
	33) Data management/technical figure production	Budget Variance	No	N/A	No	50,000	Additional costs to collect, manage, interpret and prepare technical figures for the reports prepared in support of the EA.	No
	34) Land access and optioning activities	Budget Variance	No	N/A	No	1,140,000	Costs resulting from obtaining access agreements independent of land optioning arrangements, which occurred when a specific route for acquisition could not be confirmed early in the development phase as anticipated.	No
	35) Market valuation	Budget Variance	No	N/A	No	30,000	Additional costs for the evaluation of land market values resulting from limited availability of sales data, requiring expansion of scope criteria to ensure determination of representative values.	No
	36) External general legal support for review and negotiations of documents & Aboriginal capacity funding agreements	Budget Variance	No	N/A	No	170,000	Increased costs to address requests for tailored capacity funding agreements.	No

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
	37) Aboriginal consultation costs	Budget Variance	No	N/A	No	160,000	Additional costs to coordinate EWT Project Aboriginal traditional knowledge data collection, consolidation and reporting.	No
	38) Stakeholder relations activity	Budget Variance	No	N/A	No	350,000	Additional costs attributable to incorporating expanded components to open house activities completed to date, including additional locations and security measures, as well as more frequent and extensive meetings with municipalities to address interest in the EWT Project.	No
	39) Regulatory and accounting matters	Budget Variance	No	N/A	No	140,000	To prepare OEB application for authorization to use US GAAP so as to streamline EWT Project accounting practices. Also, to prepare Electricity Reporting and Recordkeeping Requirement (RRR) submissions and to consider deferral account matters arising from the designation decision, PBR and other regulatory matters.	No
	40) Support functions for EWT Project development work from all work streams	Budget Variance	No	N/A	No	680,000	Additional costs for coordinating project development activities, including additional labour to manage the EWT Project through the development phase.	No
BUDGET VARIANCE /SCOPE CHANGE SUBTOTAL						8,610,000		

Extended Development Period Incremental Activities and Costs

Category of activity	Specific activity	Why is activity not included in original development schedule but is now required	Originally included in construction phase (1)	Reason for shifting to development phase	Related to consideration of a route through Pukaskwa National Park	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Explanation for the need for the incremental development cost	Originally included in budget for construction phase
<u>Phase Shift</u>								
	41) Environmental Assessment review participation	Filing EA in Advance of LTC.	Yes	With EA submission now scheduled to precede LTC filing by approximately seven months, work required to participate in EA review process now falls during the development phase.	No	540,000	Costs to participate in EA review process scheduled to start in advance of the LTC filing.	Yes
	42) Incremental land optioning negotiations	Proactive measure to maximize extended development period so as to limit expropriation costs.	Yes	The 35 additional months offers a valuable opportunity to shift a component of land optioning and related activity into the development phase.	No	460,000	A portion of costs to acquire land options that were previously going to be pursued in the construction phase.	Yes
						1,000,000		
	PHASE SHIFT SUBTOTAL							
	43) Incremental activities to study in the Park	OPA Letter	No	N/A	Yes	2,860,000	As only one route was expected to be studied, additional costs are required to study a route through the Park.	No
						2,860,000	Activities include development of Park-specific Aboriginal and non-Aboriginal consultation activities and open houses, additional field study planning and assessment activity, and additional engineering studies.	
						1,960,000		
						23,230,000		
	PARK STUDY SUBTOTAL							
	CONTINGENCY							
	TOTAL							

NOTES:

- (1) Construction phase refers to the period of time between filing of the LTC application and the in-service date.
- (2) In relation to certain activities, the referenced Extended Development Period Incremental Costs reflect contributions from multiple workstreams. A consolidation of the costs attributable to individual workstreams is captured in Schedule D.

Extended Development Period Incremental Costs by Workstream

Cost Category Budgeted	Board-Approved Costs (nominal dollars) (1)	Extended Development Period Incremental Costs (in 2015 \$, rounded to nearest 10,000s)	Total Anticipated Extended Development Period Costs (2)
Engineering, Design and Procurement Activity	10,553,290	700,000	11,253,290
Permitting and Licensing	47,320	30,000	77,320
Environmental and Regulatory Approvals	3,592,680	5,130,000	8,722,680
Land Rights	1,991,000	2,610,000	4,601,000
First Nations and Métis Consultation	1,724,000	5,060,000	6,784,000
Other Consultation	496,000	2,810,000	3,306,000
Regulatory (legal support, rate case and LTC filings)	985,000	1,530,000	2,515,000
Interconnection Studies	179,000	60,000	239,000
Project Management (3)	1,300,000	3,340,000	4,640,000
Contingency	1,529,710	1,960,000	3,489,710
TOTALS	<u><u>22,398,000</u></u>	<u><u>23,230,000</u></u>	<u><u>45,628,000</u></u>

NOTES:

(1) Ontario Energy Board EB-2011-0140 East-West Tie Line Designation Phase 2 Decision and Order issued on August 7, 2013.

(2) Total Anticipated Extended Development Period Costs do not include costs as set out in Table 2: Unbudgeted Costs in NextBridge's monthly and quarterly reports to the Board.

(3) Costs not attributable to a specific workstream have been captured within Project Management.



Parks
Canada

Parcs
Canada

Chief Executive Officer

Directeur général



MAR 17 2015

Mr. Serge Imbrogno
Deputy Minister of Energy
Government of Ontario
4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1



Dear Mr. Imbrogno:

Thank you for meeting with me on January 29, 2015, to discuss your letter of January 14, 2015, and for your subsequent letter of February 10, 2015, concerning the proposal for a hydro transmission corridor in Pukaskwa National Park of Canada.

On multiple occasions over the last decade, Parks Canada has been approached to consider permitting the construction of new hydro transmission corridors or the expansion of existing corridors in protected areas administered by the Agency. When Parks Canada receives proposals of this nature, it first determines if the proposal conforms to Parks Canada legislation and policy. The *Canada National Parks Act* and Parks Canada's *Guiding Principles and Operational Policies* provide clear direction in these matters. Although the *Canada National Parks Act* contains a provision to allow approval for the deviation to or alteration from a right-of-way of an existing electrical transmission line, there is no authority provided in the Act for the approval of new electrical transmission lines within national parks.

Recent examples of proposals submitted to Parks Canada include a 2009 proposal to construct electrical transmission lines inside Gros Morne National Park of Canada in Newfoundland, along an existing transmission corridor, as part of the Labrador-Island Transmission Link project, and a 2010 proposal for a new hydro transmission corridor in Waterton Lakes National Park of Canada. Both proposals were not accepted by the Agency as the *Canada National Parks Act* did not provide a means to permit or approve the project. You will find additional information on these proposals enclosed.

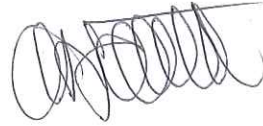
Parks Canada's response to the NextBridge Infrastructure proposal regarding the East-West Tie Transmission Corridor was based on thorough consideration of the specific request, in the same manner in which it reviews proposals of a similar nature.

.../2

-2-

I trust this information is helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alan Latourelle', written in a cursive style.

Alan Latourelle
Chief Executive Officer
Parks Canada

Enclosure

Examples of proposals for the construction of new hydro transmission corridors or expansion of existing corridors in protected areas under the administration of Parks Canada

National Park	Gros Morne	Waterton Lakes
Proponent	Nalcor Energy	Fortis Alberta Inc.
Year	2009	2010
Proposal	Voltage direct current transmission link from Labrador to the Avalon Peninsula, Newfoundland and Labrador	Overhead power line servicing the Chief Mountain border crossing
Background	<p>Nalcor Energy was developing the Labrador–Island Transmission Link to transmit hydroelectric power from the Lower Churchill River down the Northern Peninsula and across Newfoundland to the Avalon Peninsula.</p> <p>Two routing options were identified: one outside the Park and the other through the Park along an existing transmission line corridor leased to Newfoundland and Labrador Hydro (Nalcor being the parent company).</p> <p>Due to cost and engineering challenges, Nalcor's preferred option was to route through Gros Morne National Park of Canada.</p>	<p>An 8.7-kilometre overhead electrical power line was constructed in 1968 by Fortis to service the Chief Mountain border crossing in Waterton Lakes National Park of Canada. This power line runs partly in the Park, for about one kilometre.</p> <p>Fortis proposed to construct a new 16-kilometre overhead power line, which, like the older line, would have serviced the border crossing.</p> <p>Approximately 10 kilometres of the proposed line was to have been in Waterton Lakes National Park, with portion of the old line being salvaged and used in the new power line.</p>
Response to proposal	<p>Parks Canada indicated to Nalcor that it could not accommodate the proposal. The proposal was amended later in 2009 so that the Gros Morne National Park corridor option was no longer under consideration by Nalcor Energy.</p>	<p>Parks Canada indicated to Fortis that the proposal could not be authorized under the <i>Canada National Parks Act</i>.</p>
Rationale	<p>The nature and scope of the project was such that it could not have been considered a deviation or alteration of an existing right-of-way and as such could not have been authorized by the Minister under the <i>Canada National Parks Act</i>.</p>	<p>Since the proposed line would have run over different lands for different distances from the lands occupied by the 1968 line, the proposal could not be considered an alteration or deviation of an existing right-of-way, but would have been a new transmission line, which could not have been authorized by the Minister under the <i>Canada National Parks Act</i>.</p>