



January 10, 2024

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

Dear Ms. Marconi,

**RE: EB-2023-0298 Upper Canada Transmission 2, Application for changes to rates effective January 1, 2024 - CCMBC Interrogatories**

Attached are the interrogatories of the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) to Upper Canada Transmission 2.

Respectfully submitted on behalf of CCMBC,

Tom Ladanyi  
TL Energy Regulatory Consultants Inc.

cc. Michael Price (OEB Staff)  
Lawren Murray (OEB Staff)  
Catherine Swift (CCMBC)  
Mark Johnson (UCT 2)

**EB-2023-0298**

**Upper Canada Transmission 2  
Application for Rate Changes effective January 1, 2024**

**Coalition of Concerned Manufacturers and Businesses of Canada**

**Interrogatories**

**January 10, 2024**

**A1-CCMBC-1**

**Reference:** Exhibit A, Tab 1, Page 9, Table Ex.A.3

**Question:**

- a) Would the project have been completed on time and at the OEB approved budget were it not for events beyond management control such as COVID-19 and wildfires? Please explain your answer.
- b) Were there any factors that were within management control that caused the project to go over budget and behind schedule? Please explain your answer.

**A2-CCMBC-2**

**Reference:** Exhibit A, Tab 2, Pages 1 and 2, Paragraphs 2 and 3

**Preamble:** *“UCT 2’s proposed 2024 revenue requirement and ongoing adjustments represent a 42.0% increase from the approved 2023 rates revenue requirement. One-time adjustments in 2024 only, represent an additional 48.6% rates revenue requirement increase resulting in a total 90.6% rates revenue requirement increase in 2024 as compared to the approved 2023 rates revenue requirement.*

*UCT 2’s current rates revenue requirement represents 2.63% of the total revenue requirement across all transmitters. As such, the proposed 2024 revenue requirement, including ongoing adjustments, results in a net impact of 1.11% on average transmission rates. As described in footnote 5 to Table Ex A.T2.2 below, the proposed 2024 rates revenue requirement, including one-time costs, results in a net impact of 2.39%.”*

**Questions:**

- a) Does UCT 2 believe that a 90.6 % increase in rates revenue requirement is reasonable? If the answer is yes, what size of an increase would be unreasonable?
- b) Has UCT 2 considered a mitigation plan to spread the increase over the remaining IR term until rebasing?

### **C1-CCMBC-3**

**Reference:** Exhibit C, Tab 1, Page 9, Table Ex.C.3, “Summary of COVID-19 Incremental Material and Labour Costs”

#### **Question:**

- a) Please break down Table Ex.C.3 into separate Incremental Material and Incremental Labour Costs.
- b) Please identify the source of each cost shown in Table Ex.C.3.
- c) Which materials were supplied by UCT 2, and which were supplied by Valard?
- d) Did all deliveries of materials supplied by UCT 2 arrive on time?

### **C1-CCMBC-4**

**Reference:** Exhibit C, Tab 1, Page 14 Figure Ex. C.1, “Incremental Consultation and Participation Costs”

#### **Question:**

Please provide backup calculations that show how each cost shown in Figure Ex. C.1 was determined and identify the sources of each input number used in the calculations.

### **C1-CCMBC-5**

**Reference:** Exhibit C, Tab 1, Page 15, Paragraphs 28 and 29

#### **Preamble:**

*“28. The amount of the COVID-19 productivity losses was based on an allocation methodology referred to as a productivity inefficiency factor (“PIF”). The PIF was a negotiated percentage calculation (24.7%) that UCT 2 and Valard agreed to apply to all equipment, camp costs, and labour hours incurred to complete the Project. This methodology was based on a review of academic journal studies completed before COVID-19 variants like Delta and Omicron were known.*

*29. The Contractor initially retained Socotec Advisory, LLC to assist with the development of the PIF for purposes of quantifying the impact of the productivity loss. UCT 2 subsequently retained Socotec to prepare a report on the productivity loss impacts that COVID-19 had upon the Project as well as an evaluation of the reasonableness of the PIF.”*

**Questions:**

- a) When did Valard first retain Socotec?
- b) When did UCT 2 first retain Socotec?
- c) Did UCT 2 seek opinion from other consultants regarding COVID-19 impact on productivity? Please explain your answer.

**C1-CCMBC-6**

**Reference:** Exhibit C, Tab 1, Pages 16 and 17, Paragraph 32

**Preamble:** *“The adjustment uses the OEB cost of debt for the period before actual debt cost was determined (May 1, 2023) and actual cost of debt is used for the period following debt issuance. The calculations also take into account timing differences between when certain CCVA capital cost assets were declared in-service.”*

**Question:**

- a) The quoted paragraph refers to *the OEB cost of debt*. Is this the same as the OEB’s Prescribed Interest Rate for approved deferral and variance accounts. If the answer is no, please explain why not.
- a) Please file a table showing the amount of each of “certain CCVA capital cost assets” and the timing difference of each.
- b) Were timing differences only due to COVID or were they due to other causes? If the answer is yes, please explain why? If the answer is no, please list all causes of timing differences and the impact of each cause.

**C2-CCMBC-7**

**Reference:** Exhibit C, Tab 2, Socotec Report, Page 1

**Preamble:** *“Socotec was asked by the Owner and Contractor to assist in facilitating discussions regarding COVID-19 impacts on construction projects.”*

**Questions:**

- a) In the quoted sentence, please identify the “Owner” and the “Contractor.”
- b) When did these parties ask for assistance from Socotec, and did the ask jointly or did one party ask first?

- c) Please file the letter of engagement or any similar dated document that sets out the terms of reference and the scope of the assistance to be provided by Socotec.

### **C2-CCMBC-8**

**Reference:** Exhibit C, Tab 2, Socotec Report, page 2

**Preamble:** *“The impacts associated with the COVID-19 Pandemic caused, among other challenges, significant increases in Project labour, material, and equipment costs. These increases resulted from a variety of combined factors including: scheduling changes, construction timing delays, and worker inefficiencies arising from new and unprecedented work environments. All of these factors dramatically increased Project construction costs which would not have been incurred, but for the COVID-19 Pandemic.”*

#### **Question:**

Did Socotec assume that all scheduling changes, construction timing delays, and worker inefficiencies were due to COVID-19 Pandemic? If the answer is yes, please explain why. If the answer is no, please list other factors that caused scheduling changes, construction timing delays, and worker inefficiencies and provide the cost impact of each one.

### **C2-CCMBC-9**

**Reference:** Exhibit C, Tab 2, Socotec Report, Pages 5 and 6

**Preamble:** *“Notably, several of the available industry studies did not segregate mitigation efforts and the productivity loss, but rather offered an overall assessment of the losses incurred. Accordingly, we calculated the overall loss of 24.7% based on the average of all the industry studies that provided specific percentage loss assessments.”*

#### **Question:**

- a) Please explain the meaning of the word “available” in the quoted text. For example, does it mean publicly available studies?
- b) Are there other studies available at the present time that were not available when the report was prepared? If the answer is yes, please provide references to all currently available studies. If the answer is no, please explain why not.
- c) Please explain the meaning of the following terms listed in the column with the title “Types of Losses Addressed” on Page 6: Mitigation, Productivity Loss, and Overall Loss.
- d) Are Mitigation and Productivity Loss additive to arrive at Overall Loss?
- e) Please explain why the OEB should rely on the findings of these studies.

- f) Was Socotec, or anyone associated with Socotec, involved in any of the studies listed on Page 6? If the answer is yes, please identify the study and explain the scope of involvement.
- g) For certain studies, the quantities listed in the “Low” and “High” column are identical. Please confirm that these studies did not actually have a Low and High category and that Socotec created these categories for them.

## **C2-CCMBC-10**

**Reference:** Exhibit C, Tab 2, Page 58, Section 4.2.1, “Quantification of Labour Hours Incurred after the Onset of Covid”

**Preamble:** *“The first step in our analysis was to utilize the Contractor’s detailed job cost accounting data to quantify its actual work-hour expenditures after the onset of COVID (March 2020 through February 2022). These hours are quantified by work type (field overhead and support staff, right of way, foundation, structure and stringing work). In total, the Contractor incurred 2,244,906 of actual labour hours from March 2020 through Substantial Completion of the work. The contractor incurred actual labour costs associated with these hours totaling \$165,731,014.”*

### **Questions:**

- a) Was there an independent audit of actual work hours claimed by the Contractor? If the answer is no, please explain why not. If the answer is yes, please identify the auditor and file a copy of the audit.
- b) Did the Contractor employ any sub-contractors? If the answer is yes, please identify the sub-contractors, and file a list of work hours by sub-contractor and the Contractor.
- c) Please file a table that breaks down the 2,244.906 hours into hours by work type: field overhead and support staff, right of way, foundation, structure, and stringing work.
- d) Did Socotec assume that each work type was equally affected by COVID-19? Please explain your answer.
- e) Did Socotec assume that COVID-19 equally affected construction activities in each month from March 2020 to February 2022? Please explain your answer.
- f) Please file a spreadsheet that supports the calculation of the \$165,731,014 total labour cost.

## **C2-CCMBC-11**

**Reference:** Exhibit C, Tab 2, Page 58, Section 4.4.2 Quantification of Added Labour Costs

**Preamble:** *“Multiplying the 24.7% PIF times the total work-hours quantified in the period results in labour impact hours totaling 554,492 (2,244,906 total hours expended x 24.7% = 554,492). Our analysis then determined the actual average labour hour rate for each of the work types referenced above and calculated the costs associated with the labour impact hours totaling \$40,935,560. Using this approach, the Contractor spent \$165,731,014 on labour during the period, which includes \$40,935,560 (24.7%) of added labour costs associated with the impacts of COVID-19.”*

### **Questions:**

- a) How Socotec determine the actual average labour rate for each type of work? Please show all calculations and assumptions.
- b) Does the average labour rate gross or net of withholding tax, Canada Pension Plan and Employment Insurance? Please explain your answer.
- c) Please file a spreadsheet that supports the calculation of the \$40,935,560 total labour COVID-19 impact cost.

## **C2-CCMBC-12**

**Reference:** Exhibit C, Tab 2, Pages 58 and 59, Section 4.2.3 Quantification of Added Equipment Costs.

**Preamble:** *“Accordingly, our analysis determined the actual average equipment cost per labour work-hour and calculated the costs associated with the lost productive equipment time at a total of \$26,249,568”*

### **Questions:**

- a) Please file a table listing all equipment employed. For each piece of equipment, please indicate if it is rented or owned by the Contractor, and the hourly rate charged.
- b) Was the operation of any piece of equipment affected by the weather?
- c) Was there an independent audit of the hours charged to UCT 2 by the Contractor for each piece of equipment? If the answer is no, please explain why not.

## **C2-CCMBC-13**

**Reference:** Exhibit C, Tab 2, Page 59, Section 4.2.4 Quantification of Added Travel, LOA, and Camp Costs

**Preamble:** “ *Accordingly, our analysis determined the actual average labour hours rate for travel, LOA, and camp costs and calculated the costs associated with the lost production time at a total of \$7,963,967.*”

- a) Was the entire workforce accommodated in camps during the entire project or were some workers living elsewhere? Please file a table showing the number of people living in camps by month and living out by month.
- b) Were workers not accommodated in camps paid a living allowance? If the answer is yes, what was total amount paid and was any included in the \$7,963,967 figure quoted in the preamble?
- c) Were the camps owned and operated by the Contractor or by a sub-contractor?
- d) What facilities were used for accommodation in camps? Please describe the equipment used such as accommodation trailers, food service trailers, shower facilities, lunchroom facilities etc.

## **D1-CCMBC-14**

**Reference:** Exhibit D, Tab 1, Kama Cliffs Conservation Reserve, Page 13, Paragraph 23

**Preamble:** “ *On July 27, 2020, MECP rejected the use of traditional road construction methods to access the right of way (“ROW”). The MECP’s decision required the Contractor to execute all construction work at these tower sites by helicopter access.*”

### **Questions:**

- a) Please confirm that Upper Canada Transmission, Inc., operating as NextBridge Infrastructure in its EB-2011-0140 Application for Designation to Develop the East-West Tie Line evidence dated January 4, 2013, contemplated the use of helicopters in construction.
- b) Please confirm that Upper Canada Transmission, Inc., operating as NextBridge Infrastructure proposed its use of “innovative, lower-cost Guyed-Y tower structures” because of its ease of construction using helicopters.
- c) Did UCT2 or Valard meet with MECP prior to July 27 to discuss construction methods in the Kama Cliffs Conservation Reserve? If the answer is yes, please list the dates of all meetings. If the answer is no, please explain why not.
- d) Were construction methods in the Kama Cliffs Conservation Reserve addressed by UCT2 or by its predecessor Upper Canada Transmission, Inc., operating as NextBridge Infrastructure in any prior OEB proceeding? If the answer is yes,



please file the excerpts from evidence that dealt with it. If the answer is no, please explain why not?

## **E2-CCMBC-15**

**Reference:** Exhibit E, Tab 2, Scope Change Order No.1

### **Preamble:**

The definition of "Affiliate" in Section 1.1 of the Agreement is hereby deleted in its entirety and replaced with the following language:

"Affiliate" means, in relation to any Person, any other Person: (i) which directly or indirectly controls, or is controlled by, or is under common control with, such Person; or (ii) which directly or indirectly beneficially owns or holds fifty percent (50%) or more of any class of voting stock or other equity interests of such Person; or (iii) which has fifty percent (50%) or more of any class of voting stock or other equity interests that is directly or indirectly beneficially owned or held by such Person, or (iv) who either holds a general partnership interest in such Person or such Person holds a general partnership interest in the other Person. For purposes of this definition, the word "controls" means possession, directly or indirectly of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or otherwise. It is understood and agreed by the Parties that notwithstanding the definition of "Affiliate," NextEra Energy NextBridge Holdings, ULC, Enbridge Inc., BPC Transmission Trust, Enbridge Transmission Holdings, Inc., Borealis EWT Inc., NextEra Energy UCT Holdings, Inc., Upper Canada Transmission, Inc. and any other limited partner or general partner of Owner (and each of their successors, assigns and/or their affiliates) shall be deemed "Affiliates" for purposes of this Agreement.

### **Questions:**

- a) Please confirm that as an electricity transmitter operating in Ontario, UCT 2 is required to adhere to the OEB Affiliate Relationships Code for Electricity Distributors and Transmitters. ("the ARC").
- b) Please confirm that the definition of Affiliate in the ARC is the same as in the Ontario Business Corporations Act ("the OBCA").
- c) Is the definition of the Affiliate in the quoted Scope Change Order No.1 the same as the definition of Affiliate in the OBCA? Please explain your answer.
- d) Why was it necessary to change the definition of Affiliate?

## **E2-CCMBC-16**

**Reference:** Exhibit E, Tab 2, Scope Change Order No.7

### **Questions:**

- a) Please reconcile the amounts shown in Scope Change Order No.7 with the amounts shown in Table Ex.C.1 and explain the reason for the apparent similarity between \$89,014,103 shown in Scope Change Order No.7 and \$89,014,073 in Table Ex.C.1.

- b) Was the \$ 89,014,103 amount calculated by Valard or by Socotec or by some other party?
- c) The date of Scope Change Order No.7 is August 4, 2022, and approved on September 1, 2022, while the Contract Completion Date is listed as October 1, 2021. Please confirm that change orders are normally issued prior to completion of a contract and explain why UCT 2 approved a change order after completion of the contract.