



Ontario
Energy
Board | Commission
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de l'Ontario

BY EMAIL

January 10, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Upper Canada Transmission 2, Inc. (Operating as East-West Tie Limited Partnership)
2024 Electricity Transmission Rates
OEB Staff Interrogatories**

Ontario Energy Board File Number: EB-2023-0298

In accordance with Procedural Order No. 1 please find attached the OEB staff interrogatories for the above proceeding. This document has been sent to Upper Canada Transmission 2, Inc. and to all other registered parties to this proceeding.

Upper Canada Transmission 2, Inc. is reminded that its responses to interrogatories are due by January 30, 2024.

Yours truly,

Michael Price
Senior Advisor, Generation & Transmission

cc. Upper Canada Transmission 2, Inc. and all intervenors

Encl.

**Upper Canada Transmission 2, Inc. (UCT 2)
2024 Transmission Rate Application
EB-2023-0298
OEB Staff Interrogatories
January 10, 2024**

Please note, UCT 2 is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, 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 *Rules of Practice and Procedure*.

Staff-1

Ref.: Exhibit A / Tab 2 / page 1
Exhibit F / Tab 1 / Schedule 1 / page 2

Preamble

UCT 2 organizational structure is shown indicating that Bamkushwada Limited Partnership (BLP) as a 3.5036% Limited Partner as at October 10, 2023.

UCT 2 states that the original commercial agreements between BLP and UCT 2 allowed BLP to acquire up to a 20% equity interest in the project on, or shortly after, commercial operation date. Because BLP was unable to acquire a 20% interest in the project at that time, the parties worked during the ensuing months to renegotiate the original commercial agreements and negotiate new agreements, to allow BLP to acquire its full equity interest in tranches over a period of time.

Question(s)

- a) Please confirm BLP's current equity interest in the project. If it is not currently 20%, please explain if and when BLP will have a 20% equity interest in the project.
- b) If BLP will not have a 20% equity interest in the project, please explain why not.
- c) Please provide the financial impact to the revenue requirements of the new commercial agreements compared to the late 2021 or early 2022 timing of the original commercial agreements.

Staff-2

Ref.: Exhibit A / Tab 3 / Fixed Asset Continuity Schedules
Exhibit A / Tab 1 / Page 11

Preamble

The Fixed Asset Continuity Schedules - OEB Approved indicates additions to Towers and Fixtures in each year from 4/1/22 to 12/31/27. OEB staff compiled the costs in the table below:

Years	USofA 1720 - Combined
2022-2023	820,000
2024	735,000
2025	640,000
2026	280,000
2027	200,000
	2,675,000

Question(s)

- a) Please describe the nature of the additions to Towers and Fixtures noted in the table.
- b) Please provide the rationale for incurring these costs, given UCT 2's statement that all material costs were finalized as of January 20, 2023.¹

Staff-3

Ref.: Exhibit A / Tab 3 / Fixed Asset Continuity Schedules
Hydro One Networks Inc. Joint Rate Application, EB-2021-0110

¹ UCT Quarterly Report dated January 20, 2023, page 2

Question(s)

- a) Please confirm that UCT 2 is continuing to use the Foster and Associates report submitted with the Hydro One's 2020-2022 Transmission Rates application to depreciate its assets.
- b) Please discuss if UCT 2 plans to update its methodology, given that a new study was performed for Hydro One's joint rate application including its transmission assets for the years 2023-2027.
 - i) If it does not plan to update its depreciation methodology, please discuss why that is appropriate.

Staff-4

Ref.: Exhibit A / Tab 3 / Fixed Asset Continuity Schedules
Exhibit A / Tab 4 / Financial Statements

Question(s)

- a) Please provide a fixed asset continuity schedule for the period from April 1, 2022 through December 31, 2022 and the full year January 1, 2023 through December 31, 2023, separately.
- b) Please explain in detail how UCT 2 assigned incremental COVID-19 costs to each class of assets per the COVID – Fixed Asset Continuity Schedules.

Staff-5

Ref.: Exhibit A / Tab 5 / page 1 / Table A.T5.1
Exhibit A / Tab 5 / page 3 / Table A.T5.2

Preamble

UCT 2 provides the Estimated Transmission Cost as a Percentage of Total Electricity Market Costs in Table A.T5.1 and the Average Bill Impacts on Transmission and Distribution–Connected Customers in Table A.T5.2

Question(s)

- a) Please update Table A.T5.1 based on the December 2022 IESO Monthly Market Report.

- b) Please update Table A.T5.2 based on the updated Table A.T.5.1 from question a).

Staff-6

Ref.: Exhibit A / Tab 5 / page 4 / Table A.T5.3

Preamble

UCT 2 provides the 2024 Total Bill Impacts for Distribution-Connected Customers in Table A.T5.3. Footnote 8 is referenced in the Table but is not provided.

Question(s)

- a) Please provide footnote 8 for Table A.T5.3.
- b) Please update Table A.T5.3 based on the updated Table A.T5.1 from UCT 2's response to OEB Staff IR-5.

Staff-7

Ref.: Exhibit B / Tab 1 / Table Ex.B.1
Exhibit A / Tab 4 / Financial Statements

Preamble

OEB staff has reproduced Table Ex.B.1 below, with added notes.

For Mar 31, 2022 through Dec 31, 2022	Regulatory	OEB staff added notes	Rate Case	
Operating revenue	42,186		39,826	
Operating expenses	10,237		10,923	
Net Operating income	31,949		50,749	
Gross plant	774,582			
Accum. Dep	(6,883)			
Utility Plant, net	767,699			
Average Rate Base	771,140	A	770,428	
Equity Funded Rate Base	308,456	B=A*40%	308,171	
Debt Return	9,626	C	9,626	
Equity Return	22,322	D	19,276	F
Return on Equity (a)	7.24	E=D/B	6.25	
Annualized Return on Equity	9.65	E*4/3	8.34	
Total over earnings before profit share	3,028	D-F, difference of 18		
Profit over 100bps	715	G		
Profit share: 50% over 100bps	357	G/2		
ROE After Profit Share	7.12	H=(D-G)/B		
Annualized Return on Equity after profit share	9.49	H*4/3		

Question(s)

- a) Please review the assumptions under “OEB staff added notes” and confirm their accuracy. Please update the notes in the table as applicable.
- b) Please reconcile operating revenues and operating expenses with the audited 2022 Financial Statement and Income Statement.
- c) Please provide the detailed reason(s) for the overearning position of UCT 2 in 2022.

Staff-8

Ref.: Exhibit C / Tab 1 / page 7; EB-2017-0182, Exhibit B / NextBridge STAFF 7 / Attachment 3 / Article 8.

Preamble

UCT 2's EPC contract with Valard includes Article 8 which addresses Force Majeure Events including (i) the need to provide written notice to the other party of a Force Majeure Event including the Event's expected duration and probable impact; and (ii) a requirement to continue to furnish timely regular reports with respect to the Force Majeure Event.

UCT 2 states that it received an Event Notice on March 12, 2020 indicating Valard's view that the COVID-19 pandemic qualified as a Force Majeure Event under the EPC contract.

Question(s)

- a) Please provide a detailed explanation of the health and safety measures put in place for the project following the declaration of a pandemic in March 2020.
 - i. Please provide updates of all changes in those measures from March 2020 to the in-service date of March 2022.
- b) Please provide a copy of the March 12, 2020 Event Notice.
- c) Please provide copies of all reports furnished by Valard to UCT 2 regarding the COVID-19 pandemic.
 - i. In the event that Valard did not provide timely regular reports with respect to the impact (including costs) associated with the COVID-19 pandemic, please explain why UCT 2 did not require such reports.
- d) Please provide copies of all written communications exchanged between Valard and UCT 2 about the quantification of COVID-19 related costs including the negotiation of productivity losses.
- e) Please provide details of any meetings between Valard and UCT 2 to discuss COVID-19 including the quantum or mitigation of COVID-19 related costs, the dates of all such meetings and details of what was discussed.
- f) Please provide copies of any presentation materials provided to UCT 2's Board of Directors and/or Project Director regarding COVID-19 related costs and copies of any minutes or summaries from Board meetings where COVID-19 was discussed.

Staff-9

Ref.: Exhibit C / Tab 1 / pages 9 to 10

Preamble

UCT 2 states that it developed new financial cost codes for the project team to account for equipment and tasks related solely to implementing safety-related COVID procedures including invoices from contractors that were retained to administer COVID-19 testing to project staff, accommodations for workers while they were awaiting test results, and extended accommodations for workers who were required to isolate following positive COVID-19 test results.

UCT 2 states that (i) Valard also incurred additional costs to increase cleaning frequencies in camps, office spaces, and project vehicles; and (ii) claimed amounts for safety equipment are included in the claim amount.

UCT 2 management's claim review process included analyzing Valard provided timesheets to ensure employees correctly coded their time.

Question(s)

- a) Please provide the dates when these new financial codes were developed and when the first entries for these codes were recorded by UCT 2.
- b) Please explain how these safety measures (such as cleaning) are separate and apart from expenses quantified in the Socotec Report.
- c) Please explain how UCT 2 ensured that there was no double counting of costs in this category that are also accounted for in the Socotec Report.
- d) Are these safety costs gross or net of any government subsidies that would apply to COVID-19 related costs?
 - i. If UCT 2 did not apply for any government subsidies related to its COVID-19 costs, please explain why not.
- e) Please provide copies of all invoices/documentation that UCT 2 received from Valard for safety related costs and advise as to the dates that the invoices/documentation were received by UCT 2?
- f) Please provide details of UCT 2 management's claim review process used to review this cost category.

- g) Please provide copies of all written review/analysis done of contractor time sheets to ensure employees correctly coded their time.
- h) Please explain the reason and amount of costs, if any, for safety charges submitted that were rejected by UCT 2.
- i) Please provide details of all steps taken to mitigate costs in this category.

Staff-10

Ref.: Exhibit C / Tab 1 / page 11

Preamble

UCT 2 states that COVID-19 incremental material and labour costs include subcontractor costs of \$5,952,247. Costs in this category include subcontractor claims for demobilization and standby charges.

UCT 2 and its affiliates reviewed all submitted cost claims made by subcontractors to ensure amounts were reasonable and justified.

Question(s)

- a) Please explain in detail and provide the amounts of additional compensation requested by subcontractors for increases in workers, safety personnel, equipment and PPE.
- b) Please provide copies of all written requests/documentation for additional compensation by subcontractors and advise the date when each request was disclosed to UCT 2.
- c) Please provide details of UCT 2's process used to review this cost category including copies of any written review/analysis performed by UCT 2 and/or its affiliates on such requests.
- d) Please provide the relevant terms from the agreements with the subcontractors pertaining to force majeure or similar type events.
- e) Please explain how these costs are separate and apart from expenses quantified in the Socotec Report.

- f) Please explain how UCT 2 ensured that there was no double counting of costs in this category that are also accounted for in the Socotec Report.
- g) Please explain the reason and amount of costs, if any, for demobilization and standby charges submitted by subcontractors that were rejected by UCT 2.
- h) Please provide details of all steps taken to mitigate costs in this category.

Staff-11

Ref.: Exhibit C / Tab 1 / page 12

Preamble

UCT 2 is claiming \$4,164,167 of Security & Camp Operations costs for additional catering, security, cleaning and camp operation costs due to the COVID-19 pandemic.

UCT 2 states that all additional invoiced costs were reviewed to ensure only those costs related to implementing COVID-19 protocols.

Question(s)

- a) Please provide the project budget for Security & Camp Operations prior to March 9, 2020 including the costs broken down by cost category.
- b) Please provide copies of all invoices/documentation that UCT 2 received for Security & Camp Operations costs related to COVID-19 and advise as to the dates that the documentation were received by UCT 2.
- c) Please provide details of UCT 2's process used to review this cost category including copies of all written review/analysis performed by UCT 2 and/or its affiliates in this regard.
- d) Please explain the reason and amount of costs, if any, for Security & Camp Operations costs submitted that were rejected by UCT 2.
- e) Please explain how these costs are separate and apart from expenses quantified in the Socotec Report.
- f) Please explain how UCT 2 ensured that there was no double counting of costs in this category that are also accounted for in the Socotec Report.

g) Please provide details of all steps taken to mitigate costs in this category.

Staff-12

Ref.: Exhibit C / Tab 1 / pages 9 and 12

Preamble

UCT 2 states that COVID-19 incremental material and labour costs include safety costs of \$4,111,104. These costs include accommodations for workers while they were awaiting test results, and extended accommodations for workers who were required to isolate following positive COVID-19 test results. These also included costs to increase cleaning frequencies in camps, office spaces and project vehicles.

UCT 2 also stated that COVID-19 incremental material and labour costs include security and camp operations costs of \$4,164,167. These included additional cleaning measures intended to prevent or limit outbreaks among each camp population.

Further, UCT 2 also stated that COVID-19 incremental material and labour costs include quarantine/self-isolation costs of \$4,059,305.

Question(s)

- a) Please explain the difference between cleaning costs included in the “safety” and “security and camp operations” categories.
- b) Please explain how Valard and UCT 2 ensured that cleaning costs were not double counted within the “safety” and “security and camp operations” categories.
- c) Please explain the difference between quarantine/self-isolation costs, and safety costs for accommodations for workers while they were awaiting test results, and extended accommodations for workers who were required to isolate following positive COVID-19 test results.
- d) Please explain how Valard and UCT 2 ensured that accommodation costs were not double counted as quarantine/self-isolation costs and safety costs.

- e) Please provide copies of all written documentation/invoices in UCT 2's possession for amounts in the quarantine/self-isolation category and advise the dates when such documentation was disclosed to UCT 2.
- f) Please provide details of UCT 2's process used to review this cost category.
- g) Please provide copies of any written review/analysis performed by UCT 2 and/or its affiliates to ensure costs in the quarantine/self-isolation category were justified and reasonable.
- h) Please explain the reason and amount of costs, if any, for any costs in the quarantine/self-isolation category that were rejected by UCT 2.
- i) Please explain how the quarantine/self-isolation costs are separate and apart from expenses accounted for in the Socotec Report.
- j) Please explain how UCT 2 ensured that there was no double counting of costs in this category that are also accounted for in the Socotec Report.
- k) Please provide details of all steps taken to mitigate costs in the quarantine/self-isolation category.

Staff-13

Ref.: Exhibit C / Tab 1 / page 13

Preamble

UCT 2 states that COVID-19 incremental material and labour costs include flight program costs of \$3,337,438.

Question(s)

- a) Please provide the original flight program budget for the project including the cost, number of flights and workers per flight broken down by time periods where possible.
- b) Please provide the actual flight expenditures for the project including the cost, number of flights and workers per flight broken down by time periods where possible.

- c) Please provide copies of all written documentation/invoices in UCT 2's possession requesting amounts in this cost category and advise the dates when such documentation was disclosed to UCT 2.
- d) Please provide details of UCT 2's process used to review this cost category.
- e) Please provide copies of any written review/analysis performed by UCT 2 and/or its affiliates to ensure costs in this category were justified and reasonable.
- f) Please explain the reason and amount of costs, if any, for any costs in this category that were rejected by UCT 2.
- g) Please explain how these costs are separate and apart from expenses accounted for in the Socotec Report.
- h) Please explain how UCT 2 ensured that there was no double counting of costs in this category that are also accounted for in the Socotec Report.
- i) Please explain provide details of all mitigation steps taken to mitigate costs in this category.

Staff-14

Ref.: Exhibit C / Tab 1 / pages 14 to 15

Preamble

UCT 2 proposes COVID-19 productivity losses of \$89,014,073 in the application. UCT 2 states that Mitigation Tracking considers the lost time due to employees being diverted from normal construction-related activities, and that Work Inefficiency is loss of worker productivity while performing assigned work tasks that could not otherwise be completed within the same time period due to COVID-19 impacts.

Valard initially retained Socotec Advisory to assist with the development of the productivity inefficiency factor (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. UCT 2 states that Socotec's PIF

recommendation was based on academic journal reviews. The Socotec Report validated the reasonableness of the recommended PIF by conducting a construction industry standard evaluation known as a “measured mile” analysis.

UCT 2 states that it relies on the Socotec Report in support of the applied-for recovery of the claimed total COVID-19 productivity losses.

Question(s)

- a) Please provide a copy of the original report that Socotec prepared for Valard to quantify the impact of the productivity loss.
- b) Please provide copies of any presentations, written analysis or other work product provided by Socotec.
- c) Please explain when Socotec was retained and by whom. Please provide a copy of all retainers with Socotec.
 - i. If not included in the retainers, please provide all existing original documentation that sets out Socotec’s scope(s) of work.
- d) Please provide copies of all numbers/data/information provided to Socotec as part of their retainer(s).
- e) Please confirm whether UCT 2 seeks to have the Socotec Report treated as expert evidence in this proceeding and if so the basis upon which such a determination could be made.
- f) Please provide any examples of where the authors of the Socotec Report were qualified as experts specifically on the topic of COVID-19 costs.
- g) Please provide copies of all written documentation/analysis done by UCT 2 and/or its affiliates regarding the quantification of productivity losses.

Staff-15

Ref.: Exhibit C / Tab 1 / page 17 / Table Ex.C.4
EB-2009-0084 Report of the Board on the Cost of Capital for Ontario’s
Regulated Utilities

Preamble

As part of its updated revenue requirement calculation for May 1, 2023 through December 31, 2023, UCT 2 used their actual cost of long-term and short-term debt.

Question(s)

- a) Please explain the applicable debt rate for each existing debt instrument, including an explanation of how the debt rate was determined.
- b) Please describe in detail the make up of the long-term debt including whether any variable interest rates apply.
- c) Please discuss the need for and prudence of UCT 2's actual and forecasted debt, including the cost of such debt.

Staff-16

Ref.: Exhibit C / Tab 1 / page 21 / Table C.10

Preamble

UCT 2 provides the Account 1509 Income Tax Calculations in Table C.10. The Table indicates accounting income is 80% taxable.

Question(s)

- a) Please explain why accounting income is 80% taxable.
- b) Please confirm if the income tax calculations are consistent with the Response to OEB Staff IR-1. If they are not consistent, please explain why not and adjust all tax calculations as required in the application.

Staff-17

Ref: Exhibit C / Tab 1 / page 9 / Table Ex.C.3
Exhibit C / Tab 2 / page 3
Exhibit C / Tab 2 / page 6
Exhibit C / Tab 23

Preamble

The table in the third reference summarizes six industry studies and the corresponding overall efficiency loss calculated in each study. UCT 2 notes that these studies were used to derive the PIF of 24.7% being proposed in the application. The table notes that the PIF for “Evaluation of measures to prevent the spread of COVID-19 on the construction sites” includes a low value of 20% and a high value of 70%.

The second reference notes that Socotec’s assessment is intended to quantify costs that were “in addition to the direct costs incurred to develop and implement COVID-19 protocols used on Project worksites”. The first reference outlines a summary of the direct COVID-19 costs (incremental material and labour costs).

Question(s)

- a) For the low and high PIF noted in the “Evaluation of measures to prevent the spread of COVID-19 on the construction sites” study report:
 - i) Please confirm the countries where the data used to derive these values originated from – where multiple jurisdictions please advise as to the % of data from each jurisdiction. Please explain how the geographical and climate conditions of these countries would be relevant to that of Northwestern Ontario.
 - ii) Please specify the page and paragraph number within the study report where these values are noted.
 - iii) Please provide a summary and the details of the methodology used to derive these values. If the methodology is available in the study report, please specify the page and paragraph number within the study report where this information is noted.

- b) For each of the six industry studies noted in the second reference, please clarify the extent to which there may be overlap with the direct costs identified by UCT 2 (Table Ex.C.3). Please use the following template in providing a response.

	Is there Overlap with Direct COVID-19 Costs (Answer as Yes, No or Unclear)					
Study	Safety	Subcontractor	Security & Camp Operations	Quarantine / Self/Isolation	Flight Program	First Nations Consultation & Participation
UK construction...						

Pandemics and Productivity...						
COVID-19 Construction Productivity...						
Pandemics and Construction Productivity...						
Evaluation of measures...						
Impact of COVID-19 Pandemic on Demand....						

Staff-18

Ref.: Exhibit C / Tab 2 / page 30

Preamble

Socotec includes a table that lists a number of activities and estimated time losses used to calculate its proposed mitigation losses of 9.3% to 14.7%.

Question(s)

- a) Is it Socotec’s position that on average each employee working on the project would incur, on average, 47 to 77 minutes of productivity losses based on these categories every day of the COVID-19 pandemic.
 - i. If yes, on what evidence is such opinion based.
- b) Please explain what is meant by the “Other Impacts” activity and how that number was determined.
- c) Please advise as to when UCT 2 became aware of the estimated time losses for activities listed in the table.
- d) Please advise as to all mitigation measures taken on the project to reduce the time losses for activities listed in the table.

Staff-19

Ref.: Exhibit C / Tab 2 / page 37

Preamble

Socotec states that the measured mile approach was applied to Valard's performance of tower structure assembly, tower structure erection, and conductor stringing. These work categories represent approximately one-half of all the work-hours expended by Valard on the project, or 80% of the direct field work.

Question(s)

- a) Please provide Valard's total budgeted work-hours and labour cost for the project broken down to time period and activity where possible.
- b) Please provide Valard's total budgeted work-hours and labour cost separately for tower structure assembly, tower structure erection, and conductor stringing for the project broken down to time period where possible.
- c) Please provide Valard's actual work-hours and labour cost for the project broken down to time period and activity where possible.
- d) Please provide Valard's total actual work-hours and labour cost separately for tower structure assembly, tower structure erection, and conductor stringing for the project broken down to time period where possible.

Staff-20

Ref.: Exhibit C / Tab 2 / pages 37 to 42

Preamble

Socotec states that the measured mile approach would ideally rely on actual productivity data from the same project. However, because productivity losses are being assessed during a multi-year Pandemic, there was no un-impacted period during the work on the Project. As a result, Socotec analyzed performance data from four other transmission line projects that the Contractor completed or was in the process of completing.

Question(s)

- a) Please explain in detail how the four comparator transmission line projects were selected.
- i) If relevant, please provide the full list of transmission line projects that were initially shortlisted prior to the four specific projects being selected as comparators.
 - ii) Please clarify who was responsible for selecting the four comparator line projects (Valard, UCT 2 or Socotec).
 - iii) For context, please clarify the number of transmission line projects Valard would have completed (or was in the process of completing) between 2014 to 2023.
 - iv) Please detail the criteria used to select the four transmission line projects from the broader pool of Valard projects.

Staff-21

Ref.: Exhibit C / Tab 2 / page 44

Preamble

The Socotec Table on page 44 present the variances in the East-West Tie budget compared to four comparable projects using the average of estimated unit rates for assembly, erection and stringing.

Question(s)

- a) Please provide the detailed calculations for the EWT variances of assembly, erection, stringing and overall.
- b) Please recalculate the EWT (@Baseline MM rates) excluding Watay Groups 1 & 2.
- c) Please recalculate the EWT variances of assembly, erection, stringing and overall excluding Watay Groups 1 & 2.

Staff-22

Ref.: Exhibit C / Tab 2 / page 48

Preamble

The Socotec Table on page 48 compares work-hours quantified based on estimated rates, multiplied by actual quantities installed versus the actual work-hours incurred on each of the four comparable projects.

Question

- a) Please explain the values in the unlabeled row at the bottom of the Table on page 48 and provide calculations required for their derivation.

Staff-23

Ref.: Exhibit C / Tab 2 / page 49

Preamble

The Socotec Table on page 49 compares the hours that 'should have' been expended on the project, using the measured mile rates, compared to the actual hours that were expended.

Question(s)

- a) Please provide detailed calculations for the average productivity loss of 45.8% including the weighting of work assigned to assembly, erection and stringing.
- b) Please confirm if the weighting of work assigned to assembly, erection and stringing is the same as the Table on Page 44. If it is not, please explain why not and provide the average if the weighting was the same as the Table on Page 44.
- c) Please confirm the "East-West Tie Transmission Line Project (ACTUAL)" column includes all actual hours recorded for the project including hours before March 10, 2020.
 - i. If yes, please break down numbers in this column into two sub-columns: before March 10, 2020; and from March 10, 2020 to the end of construction.
 - ii. If no, please add another column that shows the amounts before March 10, 2020.

- d) Please provide a breakdown of the hours worked for assembly/erection/stringing activities, including the “kg per manhour” for each activity, for the time periods: (i) March 10, 2020 to June 30, 2020; (ii) July 1, 2020 to September 30, 2020; (iii) October 1, 2020 to December 31, 2020; (iv) January 1, 2021 to March 31, 2021; (v) April 1, 2021 to June 30, 2021; (vi) July 1, 2021 to September 30, 2021; (vii) October 1, 2021 to December 31, 2021; and (viii) January 1, 2022 to the end of construction.
- e) Please explain all steps Socotec took to ensure that the purported productivity losses listed in this table did not arise from other disruptions on the East-West Tie project.

Staff-24

Ref.: Exhibit C / Tab 2 / page 51

Preamble

The Socotec Table on page 51 compares Valard’s performance on the EWT project to the Watay project during the first two-year impact period.

Question

- a) Please provide the detailed calculations for the EWT variances of assembly, erection, stringing and overall.

Staff-25

Ref.: Exhibit C / Tab 2 / page 52

Preamble

The Socotec Table on page 52 compares Valard’s performance with the benchmarked projects grouped in the periods of construction.

Question

- a) Please provide detailed calculations for pre-pandemic, during pandemic and post-pandemic for the Units per Hour Gain/Loss.

Staff-26

Ref.: Exhibit C / Tab 2 / pages 58 and 59

Preamble

The exhibit provides the quantification of added labour costs, added equipment costs and added travel, LOA and camp costs. The exhibit also includes the calculation of the added labour costs.

Question

- a) Please provide detailed calculations of the added equipment costs and the added travel, LOA and camp costs.

Staff-27

Ref: Exhibit C / Tab 2 / page 59
Exhibit C / Tab 1 / page 14

Preamble

The \$89,014,103 claim for COVID-19 Mitigation & Productivity Costs include a 15% Valard markup and 3% Supercomm Fees.

Question(s)

- a) Please explain how the 15% Valard markup qualifies as an actual cost/loss incurred by the contractor arising from the COVID-19 pandemic.
- b) Please explain how the 3% Supercomm Fees included here differ from Supercomm fees included in First Nations Consultation and Participation cost category.

Staff-28

Ref: Exhibit C / Tab 2 / Exhibit 20 / COVID-19 Construction Productivity Changes

Preamble

In the evidence, UCT 2 presents a report by Compass International Inc. that summarises the pre and post-COVID-19 hourly estimates for the time required to

complete various construction activities in a table. The report notes that the values in the table were derived from conversations with a number of Construction Managers, Site Superintendents, and Estimators in the last couple of months regarding the loss of productivity on specific trades due to COVID-19 on Industrial Construction projects currently being constructed in the USA and Canada.

Question(s)

- a) Please provide details of the process and methodology that was used to derive the hourly estimates.
- b) Please confirm the sample size used to derive the hourly estimates.
- c) Please explain any, adjustment factors used to account for variations for site conditions in the sample.
- d) Please specify the location (province or state) of the sites in the sample.

Staff-29

Ref.: Exhibit C / Tab 2 / Exhibit 25 / Summary of COVID Productivity Loss Hours and Actual Hourly Rates

Preamble

The Socotec Table provides the labour hours and the rates for labour, equipment, travel, LOA and camp operations

Question

- a) Please explain with detailed calculations including references to other applicable Tabs in Exhibit 25 for the derivation of each of the total average equipment rate of \$34.67, the fuelling and mechanical allocation rate of \$8.86, the unbooked equipment cost adjustment of \$3.89, and the adjusted hourly equipment cost of \$47.42.

Staff-30

Ref.: Exhibit C / Tab 2 / Exhibit 25 / Monthly Labour Costs
Exhibit C / Tab 2 / Exhibit 25 / Travel LOA and Camp Cost Rate Calculation

Preamble

The second reference provides the Travel, LOA and Camp Cost Rate calculation.

Question

- a) Please provide monthly total budget and actual project travel, living out allowance and Camp Operations Costs from August 2019 to March 22 using the format of the first reference.

Staff-31

Ref.: Exhibit D / Tab 1 / page 6
Exhibit D / Tab 1 / page 6 / Table D.3

Preamble

UCT 2 states that as fire shutdown work in certain Work Fronts on the western portion of the project Valard mobilized to the eastern portion of the project in order to perform as much work as possible to keep the project moving forward. Valard subsequently moved the crews back to the western portion of the project when the fire restrictions were lifted.

Question(s)

- a) Please provide details of the additional costs for each crew in Table D.3 including number of persons, vehicles and material for each of the two mobilization events.
- b) Please provide the costs that would have been incurred if the crews had not been mobilized during the fire shutdown.
- c) Please provide the cost savings to the project though the mobilization of the crews.

Staff-32

Ref.: Exhibit D / Tab 1 / page 6 / Table D.3

Preamble

UCT 2 states that several erection crews were unable to continue with the planned work until the MNR Implementation Order for the wildfires was lifted altogether, or until alternate contingency plans were developed. This resulted in equipment crews being placed on standby status, which resulted in the additional costs presented.

Question

- a) Please provide details of the additional costs including type and amount for crews and direct activity supervision.

Staff-33

Ref.: Exhibit D / Tab 1 / pages 11 and 12

Preamble

UCT 2 states that initially Valard notified it of changes in costs from the wildfire events in the amount of \$20,903,210 and that UCT 2 and Valard reached an agreement whereby total incremental costs arising from the wildfire events were reduced to \$20,809,264. UCT 2 is submitting \$10,504,333 in All Season Access costs for recovery in the application.

Question(s)

- a) Please provide details of the \$20,809,264 in costs agreed to based on the descriptions provided in Table D.6.
- b) Did Valard provide UCT 2 notice of a force majeure event related to the wildfire? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.
- c) Please describe the costs and explain why UCT 2 is not submitting for cost recovery \$10,344,931 (\$20,809,264 minus \$10,504,333) of the All-Season Access Road costs.
- d) Please provide copies of all communications exchanged between Valard and UCT 2 related to costs from the wildfire events including invoices/ documentation provided to UCT 2 which substantiate all portions of the \$20,809,264.

- e) Please provide details of any meetings between Valard and UCT 2 to discuss costs from the wildfire events including the dates of all such meetings and details of what was discussed.
- f) Please provide copies of all analysis and verification performed relating to changes in costs from the wildfire events in the possession of UCT 2.

Staff-34

Ref.: Exhibit D / Tab 1 / page 13

Preamble

UCT 2 states that on July 27, 2020 MECP rejected the use of traditional road construction methods to access the right of way through the Kama Cliffs Conservation Reserve.

Question(s)

- a) Please provide a copy of the July 27, 2020 decision from the MECP and documents from UCT 2 to MECP specifically related to this request.

Staff-35

Ref.: Exhibit D / Tab 1 / page 18
Exhibit D / Tab 1 / page 22

Preamble

UCT 2 states that Pic Mobert First Nation (PMFN) provided information regarding previously unidentified cultural and historical resources in the White Lake Narrows Work Fronts where a transmission tower was originally planned to be constructed. Alternatives were considered as mitigation measures, including tower location refinements and a line re-route. UCT 2 states that re-routing was jointly considered the best alternative.

UCT 2 also states that for White Lake Narrows the costs of multiple remobilizations due to seasonality constraints and the requirement for PMFN approval prior to commencement of construction activities was \$1,983,080.

Question(s)

- a) Please provide more information on the alternatives (i.e., summary of the alternative options considered, the associated costs of the alternatives, and a cost-benefit analysis of the alternatives) that were considered to address the impact of the cultural and historical resources in the White Lake Narrows Work Fronts to the Project.
- b) Please provide details on why the information regarding the cultural and historical resources in the White Lake Narrows Work Fronts was not part of discussions during Indigenous consultations.
- c) Please specify how many additional mobilizations there were for White Lake Narrows and provide details of the additional costs including number of persons, vehicles and material for each of the mobilization events.

Staff-36

Ref.: Exhibit D / Tab 1 / page 25 / Table D.9

Preamble

UCT 2 provides a Summary of Incremental Costs Attributable to Permitting Delays & ROW Concerns in Table D.9. UCT 2 indicates in the Table that it has negotiated a reduction of \$11,767,449 and Settled with Valard for \$10,133,021.

Question(s)

- a) Please provide the amount of the negotiated reduction for each of the Descriptions in Table D.9.
- b) If the negotiated amounts can not be mapped to the Descriptions in Table D.9, please provide the specific items and amounts of the negotiated reduction.
- c) Please provide copies of all analysis done by UCT 2 or its affiliates related to the amounts listed in any of the cost categories in this table.

Staff-37

Ref.: Exhibit D / Tab 1 / page 26

Preamble

Winter construction through use of winter-only access roads was originally planned in certain Work Fronts (e.g. Work Fronts 5 and 10). However, due to the initial permitting delay and subsequent requirements to re-sequence construction activities, the Contractor had to alter these plans and use all-season roads. UCT 2 claims that an additional \$6,116,915 costs were incurred as a result.

Question(s)

- a) Please advise as to whether Valard or UCT 2 was the lead for the permit(s) in question.
- b) Please provide a detailed explanation of permitting delays which UCT 2 says led to these incremental costs.
- c) Please explain why such delays were not reasonably foreseeable or accounted for in the construction budget.
- d) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.
- e) Please provide copies of all UCT 2 documentation (including documentation received from Valard) related to the need to construct all-season roads and the associated costs of this decision.
- f) Please provide a detailed explanation of the re-sequencing of construction activities and the associated costs.

Staff-38

Ref.: Exhibit D / Tab 1 / pages 26 to 27

Preamble

UCT 2 states that Valard attempted to establish all-season access roads in early January 2020 but due to winter weather conditions, Valard was unable to construct 8.7 km of all-season access roads within Work Front 1 and was instead forced to construct a winter access road for this area. To complete the remaining

work in the summer of 2020, Valard subsequently upgraded the same 8.7 km to an all-season road. A similar situation occurred in the other Work Fronts.

Question(s)

- a) Please provide the additional costs in Work Front 1 to construct the road compared to the original budget amount.
- b) Please provide the additional costs by each Work Front for all season access roads that were not initially completed but replaced with a winter access road that was eventually upgraded to an all-season road.
- c) Please explain, with supporting documentary evidence, why the winter weather conditions were not reasonably foreseeable.
- d) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.

Staff-39

Ref.: Exhibit D / Tab 1 / page 28

Preamble

UCT 2's application includes a claim for \$1,289,774 in costs related to the need to remobilize multiple times to Work Front 6 due to seasonal restrictions in a sensitive caribou habitat area. It attributes these incremental costs to resolving BZA concerns and associated MNRF permit issuance timing.

Question(s)

- a) Please advise as to whether Valard or UCT 2 was the lead for the permit(s) in question.
- b) Please provide a detailed explanation of permitting delays and BZA concerns which UCT 2 says led to these incremental costs.
- c) Please explain why such delays and concerns were not reasonably foreseeable or accounted for in the construction budget.

- d) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.

Staff-40

Ref.: Exhibit D / Tab 1 / pages 28 to 29

Preamble

UCT 2's application includes a claim for \$3,929,355 in costs related to subcontractors. UCT 2's application states that permitting delays caused the contractor to incur additional costs with two ROW subcontractors responsible for clearing and access activities. Because of the overlapping nature of the impacts, subcontractors required the conversion of their payment terms from quantity based unit pricing to a daily time and material payment basis.

Question(s)

- a) Please advise as to whether Valard or UCT 2 was the lead for the permit(s) in question.
- b) Please provide a detailed explanation of permitting delays which UCT 2 says led to these incremental costs.
- c) Please explain why such delays were not reasonably foreseeable or accounted for in the construction budget.
- d) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.
- e) Please explain what is meant by "overlapping nature of the impacts" and why this required the conversion from quantity basis to daily time and material payment basis.

Staff-41

Ref.: Exhibit D / Tab 1 / page 29

Preamble

UCT 2's application includes a claim for \$2,262,047 in maintenance costs. UCT 2's application states that these costs resulted from road construction changes.

Question(s)

- a) Please provide a detailed explanation of why these incremental costs were not reasonably foreseeable or contemplated in the construction budget.
- b) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.

Staff-42

Ref.: Exhibit D / Tab 1 / pages 29 to 30

Preamble

UCT 2's application includes a claim for \$2,556,854 in extended indirect and management costs. UCT 2's application provides various reasons for this amount such as all access roads oversight or oversight of subcontractors.

Question(s)

- a) Please indicate how much of \$2,556,854 is attributable to each of the reasons provided in support of this cost category. For each amount, please provide a detailed explanation of why these incremental costs were not reasonably foreseeable or contemplated in the construction budget.
- b) Did Valard provide UCT 2 notice of a force majeure event related to this cost category? If yes, please provide copies of that notice and all reports from Valard on the force majeure event.

Staff-43

Ref.: Exhibit D / Tab 1 / pages 30 to 31

Preamble

UCT 2 states that the negotiated reduction of \$11,767,449 related to a rejection of costs claimed on Work Fronts 7 to 11 for incremental costs attributable to permitting delays & ROW concerns. The types of costs rejected by UCT 2 include standby time for weather delays, inefficiencies related to subcontractor underperformance, and site access delays. Reduced amounts also concerned all-season access construction activities and circumstances where UCT 2 determined that Valard would have been required to establish all-season access regardless of the delay period.

Question(s)

- a) Did UCT 2 accept, as part of the negotiated reduction, incremental costs on Work Fronts 1 to 6 attributable to permitting delays & ROW concerns? If yes, please provide a detailed explanation as to why it accepted those costs for some work fronts and not others.
- b) Please explain if and how UCT 2 applied the methodology for the types of costs it rejected for incremental costs attributable to permitting delays & ROW concerns to COVID-19 construction costs. If yes, how much were the COVID-19 construction costs reduced.
- c) If UCT 2 did not evaluate for COVID-19 construction costs the types of costs it rejected for incremental costs attributable to permitting delays & ROW concerns, please explain why not.

Staff-44

Ref.: Exhibit E / Tab 1 / page 7

Preamble

UCT 2 states the change order process required Valard to submit detailed evidence to accompany any change order requests, including impacts to cost and schedule, as applicable. After this, UCT 2's Project management team thoroughly reviewed each such request to ensure contractual compliance. UCT 2 senior management either approved or denied requests following a detailed review of the accompanying documentation provided by Valard.

Question(s)

- a) Please provide copies of all detailed evidence submitted by Valard in support of the seven change orders.
- b) Please provide all written documentation/analysis reviewing each of the seven change orders.
- c) Please provide detailed explanations of any requests denied by UCT 2 management of the change orders submitted.

Staff-45

Ref.: Exhibit E / Tab 1 / page 12 / Table E.1

Preamble

UCT 2 states that Valard incurred total incremental cost overruns of \$255.5 million (i.e., through to the in-service date), the parties' negotiations began at a value that was \$8 million lower - \$247.8 million.

UCT 2 in Table E.1 provides EPC claimed costs of \$247,341,709 versus Applied-for Recovery Amounts totalling \$160,388,935.

Question(s)

- a) Please explain in detail why the parties' negotiations began at a value that was \$8 million lower than the total incremental cost overruns.
- b) Please clarify who is Quanta and explain the carrying costs from Quanta.
- c) Please provide the amount of the four rejected items of Changes in Water Body Crossings, Changes to Foundations, Structure Work Inefficiency and General Delay that would have been applicable to the six cost areas of: COVID-19 Direct Costs, COVID-19 Productivity Losses, Wildfires, Kama Cliffs, White Lake Narrows and Row Delays.
- d) Please provide the amount of the four items of Changes in Water Body Crossings, Changes to Foundations, Structure Work Inefficiency and General Delay that are included in the six cost areas of: COVID-19 Direct Costs, COVID-19 Productivity Losses, Wildfires, Kama Cliffs, White Lake Narrows and ROW Delays.

- e) How did UCT 2 determine the type and amount of the four rejected cost items to disallow?
- f) Please explain why UCT 2 included in the EPC claimed costs for ROW Delays for First Nation incremental monitoring and consultation costs when, as stated in footnote 3, UCT 2 directly incurred these costs not Valard.
- g) Please provide the amount of the incremental, monitoring and consultation costs and confirm if they are included in the ROW Delays.

Staff-46

Ref.: Exhibit E / Tab 1 / page 12 / Table E.1
Exhibit E / Tab 1 / page 13

Preamble

UCT 2 states that it agreed with Valard to the Negotiated Outcome whereby the initial \$247.8 million claim was reduced to \$205.0 million. Of this latter amount, UCT 2 is seeking to recover \$160.4 million from ratepayers in this application.

Question(s)

- a) Please explain and provide details of the \$42.8 million (\$247.8 million minus \$205.0 million) Negotiated Outcome reduction with Valard based on the 11 Items listed in the Description column in Table E.1.
- b) Please explain and provide details of the \$44.6 million (\$205.0 million minus \$160.4 million) difference between the Negotiated Outcome and the applied for recovery amount based on the 11 Items listed in the Description column in Table E.1.
- c) Please explain why UCT 2 is not applying to recover the \$44.6 million difference between the Negotiated Outcome and the applied for recovery amount. Please explain who will be covering the \$44.6 million cost difference.

Staff-47

Ref: Exhibit F / Tab 1 / page 1
EB-2020-0150
Exhibit A / Tab 2 / page 1

Preamble

In its Custom IR Term application, UCT 2 made statements regarding the ownership structure following the in-service date of the line, “At the time of commercial operations, UCT 2 will be owned 40% by NextEra Energy NextBridge Holding ULC, 20% by Enbridge Transmission Holdings Inc., 20% by Borealis NB Holdings Inc., and 20% by Bamkushwada, LP a corporation made up of six First Nations.”

While UCT 2 originally contemplated a debt issuance in late 2021 or early 2022, the debt financing ultimately did not close until May 1, 2023. As discussed below, the additional time was needed to accommodate the equity buy-in of the project’s First Nations partners, BLP. The extra time required to complete this novel and complex transaction relates to the effectuation and implementation of a progressive ownership structure delivering economic benefits to the communities of the project’s Indigenous partners. In this regard, the transaction also serves as a key milestone and model for advancing Ontario’s objectives of accommodation and reconciliation by offering BLP long-term economic opportunities as a partner in the project.

Currently, BLP’s ownership stands at 3.5036%.

Question(s)

- a) Please explain how BLP’s lower partnership equity percentage impacts the economic benefits and opportunities promised to the Indigenous community through the partnership.
- b) Please elaborate on the progressive ownership structure that is part of the transaction.
 - i) What is the nature of the economic benefits and how are they structured to ensure long-term economic opportunities for the communities involved?
- c) Please discuss how UCT 2 engaged with the Indigenous communities during this extended process. Were there consultations or negotiations that influenced the terms of the equity buy-in or the overall project?

- d) Please discuss how the delay in debt financing impacted the project's financial viability. How was this addressed, and were there any adjustments to accommodate the delays?
- e) Please discuss the implications on the debt financing of BLP's lower equity percentage.
 - i) Please discuss the lenders' perception of risk after the determination of BLP's equity stake.
- f) Please discuss whether there are plans or discussions in place to potentially increase BLP's equity stake in the future and how it might affect future debt financing strategies.

Staff-48

Ref: Exhibit F / Tab 1 / pages 2 and 3

Preamble

Consistent with the capital structure approved by the OEB in its June 17, 2021 Decision and Order, the Partnership sought to issue \$428 million in long-term debt and secure a credit facility of approximately \$31 million in short-term debt, which comprised 56% and 4%, respectively, of the overall 60% debt portion of the capital structure. In doing so, the Partnership was mindful of the commitments reflected in the June 17, 2021 Decision and Order, including (i) relying on the expertise of the experienced Treasury Department of NextEra to place its long-term debt issue, (ii) privately placing the debt with multiple lenders, and (iii) structuring the debt financing in a manner that minimizes issuance costs to the benefit of ratepayers.

Question(s)

- a) Please provide the debt issuance costs mentioned in the above. Please confirm whether any of the costs are being sought for recovery in the current application.
 - i) If issuance costs are not being recovered in the current application, when does UCT 2 plan to recover them?
- b) If UCT 2 is requesting the debt issuance costs, please describe how UCT 2 minimized issuance costs through its debt structure.

Staff-49

Ref: Exhibit F / Tab 1 / pages 5 and 6 / Table Ex F.1 and Table Ex F.2

Question(s)

- a) Please provide supporting evidence or documentation for the long-term debt amount of \$431,439,693 and short-term debt of \$30,817,121, which are being used to calculate the DRVA in Table Ex. F.1 and the incremental annual cost of actual issued debt in Table Ex. F.2.
- b) Please provide supporting evidence or documentation for the long-term debt cost rate of 4.86% and the short-term debt cost rate of 6.15%.
- c) Please discuss how the long-term and short-term debt rates compared to the market rates at the time of issuance.
- d) Please discuss how the long-term and short-term debt rates compared to the market rates at the time UCT 2 estimated the debt issuance was to occur, e.g. in late 2021 or early 2022. If the market rates are significantly different between late 2021 and 2022, please provide a comparison for both time periods.

Staff-50

Ref: Exhibit F / Tab 1 / page 7
OEB Chapter 2 Filing Requirements for Transmitters

Preamble

UCT 2 is requesting the DRVA 2 to track the difference in the long-term and short-term debt rates used in the calculation of UCT 2's revenue requirement or all incremental capital approved in this application ("current debt issuance rate") and the actual long-term and short-term debt rates to be secured by UCT 2 to finance this incremental capital. UCT 2's actual cost of debt is not known and will not be known until the new financing is secured. Once the actual debt rate is known, the DRVA 2 will record the revenue requirement differential from the date the new financing issues up to the date when the actual cost of debt is reflected in UCT 2's revenue requirement included in the UTR.

UCT 2 expects that this new debt will be issued by December 31, 2024. As market rates are not currently known, the amounts recorded in this account could be a debit or credit balance.

Question

- a) Please discuss the request for the new DRVA 2 account in terms of the OEB's three criteria for establishing a new deferral account: causation, materiality and prudence.

Staff-51

Ref.: Exhibit F / Tab 1 / page 9

Preamble

UCT 2 states that the proposed DRVA 2 account will track the difference in the long-term and short-term debt rates used in the calculation of UCT 2's revenue requirement for all incremental capital approved in this application and the actual long-term and short-term debt rates to be secured by UCT 2 to finance this incremental capital. The effective date of this account is the date the new financing is issued, and the end date is expected to be December 31, 2024.

Question

- a) Please explain if UCT 2 is planning to file an application to dispose of the balance in the proposed DRVA 2 account during its current Custom IR term or if it will be disposing of this balance in its next Custom IR application?

Staff-52

Ref.: EB-2017-0182/EB-2020-0150

Question(s)

- a) Please file copies of all quarterly reports prepared by UCT 2 in its leave to construct proceeding (EB-2017-0182) on the evidentiary record of this proceeding.

- b) Please file copies of the transcripts from the oral hearing of UCT 2's rates proceeding (EB-2020-0150) and UCT's leave to construct application (Days 4 – 7 of EB-2017-0182) on the evidentiary record of this proceeding.

Staff-53

Ref.: EB-2017-0182, Quarterly EWT Project Progress Report August 30, 2019

Preamble

UCT 2's project budget, filed as part of its leave to construct application, included a contingency of \$49,399,445.

In its quarterly report to the OEB in August 2019, UCT 2 allocated 100% of the \$49,399,445 contingency to other cost categories.

Question

- a) Please provide a detailed breakdown of what costs the \$49,399,445 contingency was used for and why such amounts were not accounted for in UCT 2's project budget filed as part of its leave to construct application.