

OEB STAFF INTERROGATORY - 01

Reference:

1. Exhibit A-Tab 2, page 1
2. 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.

Interrogatory:

- 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.

Response:

- a) BLP's current equity interest in the project is 3.5036%. BLP has the right to buy up to 20% and may do so in multiple tranches anytime between now and the Outside BLP Top-Up Contribution Date, which is defined in the partnership agreement as the later of May 2, 2028, or nine months from the effective date of the next OEB rate order (or 9 months from the start of the *next* Custom IR term). BLP may buy up to a 20% equity interest using funding sources it deems appropriate and is able to secure.
- b) As explained in the Application, "[b]ecause BLP was unable to acquire a 20% interest in the Project at [the commercial operation date], the parties worked diligently 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." (Exhibit F, Tab 1, page 2). As a result, BLP continues to have the ability to obtain a 20% equity interest in the Project at any point before the Outside BLP Top-Up Contribution Date (as such term is defined in the partnership agreement).

- c) The new commercial agreements reflecting a 3.5036% ownership by BLP would have resulted in a base revenue requirement of \$53.22 MM in EB-2020-0150 (compared to an actual approved amount of \$53.10 MM). As a result of the current lower than planned BLP ownership percent, UCT 2 is paying higher annual taxes in the amount of \$ 0.12 MM, which it is not seeking to recover from customers.

OEB STAFF INTERROGATORY- 02

Reference:

1. Exhibit A-Tab 3-Fixed Asset Continuity Schedules
2. 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

Interrogatory

- 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

Response

- a) Table 1 below, which is reproduced from the UCT 2 application submitted in EB-2020-0150 Exhibit B Tab 1 Schedule 6 Section 6.2, identifies the nature of the additions to Towers and Fixtures for each year. Further detail regarding the specific nature of each of the line items in Table 1 is set forth in the UCT application submitted in EB-2020-0150, Exhibit B Tab 1 Schedule 6 Section 6.3.

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

Table 1

Capital Plan (\$ Millions)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
General Plant - Office & Vehicles	-	0.16	0.11	0.01	0.15	-	-	0.20	-	-
Storage Yard	-	-	-	0.30	-	-	-	-	-	-
Reliability - Bird Deterrents, ROW Cameras	0.23	0.43	0.63	0.33	0.13	0.20	0.40	0.60	0.30	0.10
Total	0.23	0.59	0.74	0.64	0.28	0.20	0.40	0.80	0.30	0.10

- b) The capital costs described in part (a) of this response and included in Table 1 of that response are those that were planned to be incurred subsequent to the Project being declared in-service. These expenditures reflect annual capital expenditures needed to support and maintain UCT 2's transmission asset. These capital costs are not included in the revenue requirement that was approved in EB-2020-0150 or in any rate application since that time. Approval of these costs is not being sought in this Application.

OEB STAFF INTERROGATORY - 03

Reference:

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

Interrogatory:

- 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.

Response:

- a) Confirmed. UCT 2 is continuing to use the Foster and Associates report submitted with Hydro One's 2020-2022 Transmission Rates application to depreciate its assets.
- b) UCT 2 is aware of the new study in Hydro One's joint rate application for the years 2023-2027 and does not plan to update its methodology for the purposes of this Application.
 - i) In the EB-2020-0150 Decision and Order, the OEB approved UCT 2's depreciation methodology and depreciation expense included in revenue requirement for the full Custom IR period. Typically, depreciation methodology is not revised during a Custom IR term as there is no opportunity to adjust revenue requirement for any impact resulting from a new depreciation study. As part of the next rate rebasing application process, UCT 2 will review its depreciation methodology and assess the appropriateness of following the new Hydro One methodology.

OEB STAFF INTERROGATORY - 04

Reference:

1. Exhibit A -Tab 3 - Fixed Asset Continuity Schedules
2. Exhibit A-Tab 4 - Financial Statements

Interrogatory:

- 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.

Response:

- a) Please see Attachment 1 (Exhibit I-01-04 Attachment 1), which provides fixed asset continuity schedules that separately reflect the periods April 1, 2022, through December 31, 2022, and the full year January 1, 2023, through December 31, 2023.
- b) Capital costs are any activities necessary to acquire and bring the asset to the condition and location necessary for its intended use. UCT 2 considers COVID construction costs to be incremental dollars for the same group of assets (e.g. Towers and Conductors, Overhead Conductors and Devices) as the construction costs approved by the OEB in EB-2020-0150. Accordingly, COVID costs were allocated to plant accounts based on the same percentage as the initial Opening Balances (e.g. USofA Account Balance / Total Plant Balance = Plant Account Allocation %).

UCT 2 has also allocated CCVA capital costs to plant accounts in a similar manner as described above.

OEB STAFF INTERROGATORY - 05

Reference:

1. Exhibit A - Tab 5, page 1, Table A.T5.1
2. 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

Interrogatory:

- 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).

Response:

- a) A revised Table Ex.A.T5.1 with December 2022 IESO Market Report data is provided below.

	Bill Component	¢/kWh	Source
A	Commodity	9.99	IESO Monthly Market Report December 2022
B	Wholesale Market Service Charges	0.59	IESO Monthly Market Report December 2022
C	Wholesale Transmission Charges	1.42	IESO Monthly Market Report December 2022
D	Distribution Service Charges	3.47	2021 Yearbook of Electricity Distributors
E	Total Monthly for Tx-connected customers	12.00	E = A + B + C
F	Total Monthly for Dx-connected customers	15.47	F = A + B + C + D
G	Transmission as % of Total Cost for Tx-connected customers	11.8%	$G = C / E$
H	Transmission as % of Total Cost for Dx-connected customers	9.2%	$H = C / F$

- b) A revised Table Ex.A.T5.2 using December 2022 IESO Market Report data is provided below:

	2023	2024 (Excluding One-Time Adjustments)	2024
Rates Revenue Requirement	\$54,003,549	\$76,698,918	\$76,698,918
One-Time Adjustments			\$26,252,550
% Change in Rates Revenue Requirement over prior		42.0%	90.6%
% Impact of load forecast change		N/A	N/A
Net Impact on Average Transmission Rates		1.11%	2.39%
Transmission as a % of Tx-connected customer's		11.8%	11.8%
Estimated Average Transmission Customer Bill		0.13%	0.28%
Transmission as a % of Dx-connected customer's Total Bill		9.2%	9.2%
Estimated Average Distribution Customer Bill		0.10%	0.22%

OEB STAFF INTERROGATORY - 06

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The reference to footnote 8 is in error. As highlighted in the below table, two corrections are required in the rows below the "Total 2024 Rates Revenue Requirement" header. The footnote that follows "Total Bill as of January 1, 2023" should be footnote 6, not footnote 7, and the footnote that follows "Estimated 2024 Monthly RTSR" should be footnote 7, not footnote 8.

Excluding One-Time Adjustments		
Total Bill as of January 1, 2023 ⁵	\$137.39	\$428.31
RTSR included in 2023 Bill	\$15.17	\$33.54
Estimated 2024 Monthly RTSR ⁷	\$15.33	\$33.89
2024 Change in Monthly Bill	\$0.16	\$0.35
<i>2024 change as a % of total bill</i>	<i>0.12%</i>	<i>0.08%</i>
Total 2024 Rates Revenue Requirement		
Total Bill as of January 1, 2023 ⁷	\$137.39	\$428.31
RTSR included in 2023 Bill	\$15.17	\$33.54
Estimated 2024 Monthly RTSR ⁸	\$15.52	\$34.29
2024 Change in Monthly Bill	\$0.35	\$0.75
<i>2024 change as a % of total bill</i>	<i>0.25%</i>	<i>0.17%</i>

- b) There are no updates to Table Ex.A.T5.3 based on changes to the IESO Monthly Report data. As described in footnote 6 of Exhibit A/ Tab 5, total bills in Table Ex.A.T5.3 are from the OEB bill calculator. The commodity rates, RTSRs, and Wholesale Market Service Charges are based on RPP TOU rates and Hydro One's tariff schedule at the time of the calculation. Please see VECC-2 for an updated calculation of typical Hydro One (R1) total bills as of January 1, 2024. For reference, Table Ex.A.T5.3 is reproduced below.

	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer Consuming 2,000 kWh per Month
Excluding One-Time Adjustments		
Total Bill as of July 1, 2023	\$137.39	\$428.31
RTSR included in 2023 Bill	\$15.17	\$33.54
Estimated 2024 Monthly RTSR	\$15.33	\$33.89
2024 Change in Monthly Bill	\$0.16	\$0.35
<i>2024 change as a % of total bill</i>	<i>0.12%</i>	<i>0.08%</i>
Total 2024 Rates Revenue Requirement		
Total Bill as of July 1, 2023	\$137.39	\$428.31
RTSR included in 2023 Bill	\$15.17	\$33.54
Estimated 2024 Monthly RTSR	\$15.52	\$34.29
2024 Change in Monthly Bill	\$0.35	\$0.75
<i>2024 change as a % of total bill</i>	<i>0.25%</i>	<i>0.17%</i>

OEB STAFF INTERROGATORY - 07

Reference:

1. Exhibit B-Tab 1-Table Ex.B.1
2. 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		

Interrogatory:

- 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.

Response:

a) UTC 2 has reviewed the assumptions under the “OEB staff added notes” column and made the following revisions:

- 1) The OEB Staff Produced Table Ex.B.1 presented in the IR incorrectly added operating expenses to operating revenue in the “Rate Case” column. As reflected in the updated Table included in item (2) below, the Table should be corrected to subtract operating expenses from operating revenue consistent with the UCT 2 filed evidence.
- 2) UCT 2 has included additional notations “I” & “J” to help illustrate the calculation of \$3,028 “Total overearnings before profit share”.

	Regulatory	OEB Staff added notes w/ UCT 2 updates	Rate Case
Operating Revenue	\$ 42,186		\$ 39,826
Operation Expenses	10,237		10,923
Net Operating Income	<u>31,949</u>	I	<u>28,903</u>
Gross Plant	774,582		
Accum. Depreciation	<u>(6,883)</u>		
Utility Plant, net	767,699		
Average Rate Base	<u>771,140</u>	A	<u>770,428</u>
Equity Funded Rate Base (c)	\$ 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 (d)	7.24%	E=D/B	6.25%
Annualized Return on Equity	9.65%	E=4/3	8.34% J
Total over earnings before profit share	3,028	=I((J*3/4)B)+C)	
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	

b) Please see Attachment 1 to this response (Exhibit I-01-07 Attachment 1).

c) Of the \$3.0 MM over-earning position, \$2.3 MM (or 77%) was due to higher than planned transmission system revenue received from the IESO in 2022. The remaining \$0.7 MM of over earnings related to lower OM&A expenditures, which were primarily due to deferred OM&A spending into 2023. It is not uncommon to incur lower OM&A expenses in the first months of operations due the asset being new and maintenance work not immediately

being required. It is expected that some budgeted expenses such as emergency response and assessment, remediation associated with localized extreme weather event(s), and remediation due to unexpected damage from right-of-way users and wildlife will vary in magnitude year over year.

OEB STAFF INTERROGATORY - 08

Reference:

1. Exhibit C-Tab 1- page 7
2. 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.

Interrogatory:

- 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.

Response:

- a) Immediately following the pandemic's declaration in March 2020, the EPC Contractor prepared a formal Coronavirus Management Plan ("CMP"). The CMP addressed prevention,

preparedness, and response tactics to help protect the Contractor's employees and their families, as well as the surrounding communities, while ensuring business continuity given the Project's essential service status.

The CMP was also designed to support management by identifying the actions the Contractor would take to prevent, prepare for, and respond to the COVID-19 pandemic. The CMP outlined newly implemented operational directives, job safety analysis procedures, and pandemic-related safe work practices. The CMP is provided in Attachment 1 (Exhibit I-01-08 Attachment 1).

- i. UCT 2 has not prepared a comprehensive analysis that identifies every government, Indigenous community, provincial, or local health authority regulation or policy change introduced in the time period noted in this question and all corresponding actions that UCT 2 and the EPC Contractor made to address each of these changes. However, much of this type of information is described in the health and safety records maintained by the EPC Contractor throughout the Project's construction period. A copy of this record is attached as Attachment 2 to this Response (Exhibit I-01-08 Attachment 2).
- b) Valard issued two Force Majeure Event notices regarding the COVID-19 pandemic. These were dated March 12, 2020, and January 4, 2021, and are provided in Attachment 3 (Exhibit I-01-08 Attachment 3). For completeness, UCT 2's responses to these notices are also included in this Attachment.

(c-f)

UCT 2 had up to eleven full-time dedicated staff working on site and monitoring the EPC Contractor's execution of the Project. These staff were staged across the Project to ensure that all work fronts with ongoing activities could be monitored on a daily basis. Daily and weekly meetings were held with the EPC Contractor at Project worksite locations. These meetings addressed the impacts of the COVID-19 pandemic on the Project, corresponding mitigation measures taken, and whether changes were necessary to keep the Project on track. Meetings focused on overall day-to-day construction planning and execution issues and were inclusive of both pandemic and non-pandemic issues. While all work tasks were impacted by COVID-19, the degree to which the pandemic caused a particular impact was not the issue of focus at these meetings. Instead, finding reasonable ways to achieve the in-service date was of primary importance. These meetings were not formally documented.

UCT 2 received monthly reports from the EPC Contractor throughout the construction period, as described in Exhibit E Tab 1 of the Application and shown in Exhibit E Tab 3. Copies of all monthly reports submitted by the EPC Contractor are provided as Attachment 4 (Exhibit I-01-08 Attachment 4). In addition, informal discussions between the EPC Contractor and UCT 2 management were held throughout the construction period. While these discussions often included the content of the monthly reports, these exchanges were not formally documented.

With respect to analyzing Valard's cost claims, UCT 2 first assessed whether the circumstances giving rise to the claim fell within or outside of the original scope of the EPC Contractor's

responsibilities as defined by the EPC Contract. If the claim was determined to fall with the original scope, UCT 2 rejected the claim. If the claim was determined to fall outside the original scope, UCT 2 then performed a detailed review of all documentation supporting the claim. For example, during this process, UCT 2 denied the “Changes to Water Body Crossings” claim and determined that the basis of this claim fell within “Project access risk,” which was allocated to the EPC Contractor under the EPC Contract. Claimed costs that were denied during the triage process are not included in the Applied-For Costs sought in the Application.

This review process involved experienced professionals within NextEra’s Engineering, Procurement and Construction Department. Supporting documents, including change order descriptions, timesheets, and invoices, were scrutinized on whether claimed amounts were adequately justified. Timesheets included in the supporting documentation were sourced from both the EPC Contractor’s reporting software and subcontractor logs. UCT 2 staff reviewed any notes included in these timesheets and queried the EPC Contractor for additional information in instances where it was unclear if the time reported was directly related to the incremental cost claim. Further, UCT 2 compared a sample of these timesheets against notes that were prepared by UCT 2’s construction supervision team during the construction period to confirm that the information provided on these timesheets correlated with the location of the crews at the date and time indicated.

UCT 2’s review process also included analyzing invoices provided by the EPC Contractor to confirm that these costs were prudently incurred, related solely to the incremental cost claim they were categorized with, reasonable in nature, pertained only to the EWT Project, and were not duplicated across multiple claims or within the same category. When supporting documentation did not meet these criteria, the claimed amount was disallowed by UCT 2. Examples of denied invoices include costs pertaining to other transmission line projects that were being executed by the EPC Contractor during the construction period.

In addition to the processes referenced above, UCT 2 and the EPC Contractor held collaborative working sessions to provide clarification on any costs that could not be confirmed to be accurate during UCT 2’s review. Due to the complexity of the Project and the nature of the claims pertaining to all Applied-For Costs, UCT 2 and the EPC Contractor found it most efficient to hold these discussions in-person. This included full-day meetings between UCT 2 and the EPC Contractor’s executive management team. For example, a working session held in October of 2021 provided UCT 2 with an opportunity to set expectations with the EPC Contractor on the level of detail that would be required to support any incremental costs. Subsequent working sessions were held in March, April, and June of 2022 during the time that UCT 2 was performing the internal claim review process. Materials shared in connection with these meetings are attached to this response as Attachment 5 (Exhibit I-01-08 Attachment 5).

The working sessions described above also generated an opportunity for the EPC Contractor to elaborate on the methodologies used to determine the initial requested amounts for each category and provide justification as to why the implemented methods were reasonable and representative of the total losses incurred during the construction of the Project. In addition, UCT 2 leveraged these working sessions to review individual invoices and timesheets with the EPC Contractor. This facilitated real-time discussion of UCT 2’s concerns and responses by the EPC Contractor, including the provision of additional information if necessary. For example, supporting

documentation in the COVID-19 Productivity Losses category includes accounting transactional data for approximately 76,800 labor expenditures, while the supporting documentation to substantiate the COVID-19 Direct Costs includes 12,500 individual data points. These data points include labour and equipment details that were reported by the EPC Contractor, in addition to third-party expenses, invoices, and subcontractor LEM data (Labour, Equipment and Material daily cost tracking).

UCT 2 and the EPC Contractor worked in collaboration to review these inputs and determine whether they contained sufficient merit to be included in the applied-for recovery amount in the Application. Following these working sessions, the EPC Contractor revised the supporting documentation to include only the approved invoices and supporting documentation so that the material could be easily followed by a third party. These revised materials are included as attachments to applicable interrogatory responses. Please refer to Attachments to OEB Staff IR-9 (COVID-19); OEB Staff IR-33 (Wildfires); OEB Staff IR-35 (White Lake Narrows); OEB Staff IR-36 (Permitting Delays); CCMBC IR-14 (Kama Cliffs). These comprehensive attachments identify all subcontractor invoices included in the costs applied for in this Application. Because the source documents for these amounts entail approximately 8,000 invoices, UCT 2 has provided both summary and detailed information in these attachments.

UCT 2 has also provided examples of the correspondence exchanged between UCT 2 and the EPC Contractor during the claim review period. This is found in Attachment 6 to this Response (Exhibit I-01-08 Attachment 6). Working session meetings (noted above) were intentionally designed to allow for ongoing discussions and exchanges regarding all supporting documentation. The outcome of these meetings ultimately were documented through the approved Change Orders No.s 6 and 7.

The UCT 2 Board of Directors was also kept apprised of all costs, including those related to COVID-19 and CCVA. Board meeting materials that discuss COVID-19 are provided as Attachment 7 to this Response (Exhibit I-01-08 Attachment 7) and cover the period August 2019 through December 2022.

The Board also convened a Partnership Advisory Committee (“PAC”), which included the three UCT 2 partners at the time of construction and BLP. The PAC met quarterly, and a report was prepared monthly to review and discuss Project matters. PAC presentations, minutes, and monthly reports, are provided in Attachment 8 to this Response (Exhibit I-01-05 Attachment 8) and cover the period November 2019 through January 2022.

OEB STAFF INTERROGATORY - 09

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) In April 2020, UCT 2 created new financial codes to record COVID costs. In July 2020, the first charges were recorded to these codes.
- b) The referenced safety measures that were implemented to allow the Project to continue construction through the COVID-19 pandemic are entirely independent from the contents of the Loss of Productivity report prepared by Socotec. The incremental costs relating to the procurement of additional PPE and the physical time spent tending to pandemic related tasks, such as supporting testing and vaccination clinics, are supported by material invoices and timesheets. These material costs do not overlap in any capacity with the productivity inefficiencies associated with constructing the Project throughout the pandemic that are outlined in the Socotec report. UCT 2 performed a thorough review on all scope change orders and associated supporting documentation to ensure that no overlap was present between claims.
- c) UCT 2 reviewed all supporting documentation provided by the EPC Contractor to ensure that all costs submitted for recovery were supported by material invoices. UCT 2 then scrutinized the invoices to ensure that the costs shown were (i) prudently incurred, (ii) only related to the EWT Project, and (iii) reasonable in nature. All invoices that did not meet these criteria were disallowed and subtracted from the requested recovery. This, in turn, contributed to the reduced amount that UCT 2 agreed to pay Valard to settle all of its cost claims. The Socotec report, on the other hand, only considers productivity losses that arose through the inefficiencies of constructing a major infrastructure project during the COVID-19 global pandemic. As stated in the Socotec report (Exhibit C, Tab 2, page 57), any potential for double counting of costs was eliminated by excluding costs claimed elsewhere by the Contractor or by applying offsetting credits in the productivity loss calculations. The costs referenced in this response that UCT 2 is seeking to recover are entirely independent from the productivity losses outlined in the Socotec report.
- d) UCT 2 confirms that the applied-for safety costs are the actual costs that were incurred by the EPC Contractor. As neither UCT 2 nor its EPC Contractor sought government subsidies for these costs, there is no difference between the gross and net amount classifications referenced in this question. Ontario deemed construction of the EWT Project to be essential and its construction proceeded during the pandemic. While UCT 2 is generally aware that government subsidies were available from time to time during the pandemic to mitigate the adverse impacts of business shutdowns and reduced economic activity, neither UCT 2 nor its EPC Contractor experienced material business shutdowns or reduced economic activity. UCT

2 was permitted to proceed with its construction schedule and activities in order to meet the in-service timing requirements established by the IESO. Throughout the pandemic, the EPC Contractor continued to employ a large workforce that included local Indigenous community members and the Project thus served as an economic engine during the pandemic for these workers, Project material suppliers, and other indirect service providers.

- e) Given the voluminous nature of this request, UCT 2 has prepared Attachment 1 to this Response (Exhibit I-1-9 Attachment 1), which is an Excel workbook that provides summary and detailed information regarding every invoice submitted to the EPC Contractor related to the COVID-19 Direct Costs. The tabs titled "Cover Page" and "Summary Table" provide summary information pertaining to Safety, Subcontractor, Security & Camp Operations. The colour coding found in the "Cover Page" tab for each of these categories is then associated with the remaining workbook tabs. Each of the detailed tabs then provides detailed information regarding each of these cost categories. Attachment 1 is entirely confidential. In accordance with the Board's Practice Direction on Confidential Filings, only a non-confidential summary description of the document has been filed in the public domain.
- f) All of the information used to prepare Attachment 1 to this response (Exhibit I-1-9 Attachment 1) was reviewed with the EPC Contractor during working sessions as described in UCT 2's Response to Staff IR 8(c-f) (Exhibit I-1-8(c-f)). The criteria used by UCT 2 to determine if the costs were acceptable, or not, are those described in part (c) above. Please also see UCT 2's Response to Staff IR-8(c-f) (Exhibit I-1-8(c-f)) for email correspondence that contains examples of rejected costs.
- g) Please see UCT 2's Response to Staff IR-8(c-f) (Exhibit I-1-8(c-f)).
- h) UCT 2 rejected \$868,327 of the \$4,979,431 initial claim for safety charges. Reasons for rejecting these costs include duplicate invoices, expenses that were determined not to be related to this cost category, invoices that related to other projects, and amounts that were not justified. Please also see UCT 2's response to Staff IR-8(c-f) (Exhibit I-1-8(c-f)) for email correspondence that contains examples of rejected costs.
- i) In addition to the measures and practices described in subparts (a) through (h) of this Response and subparts (c)-(f) of UCT 2's Response to Staff IR-8 (Exhibit I-1-8(c-f)), UCT 2 and the EPC Contractor discussed the COVID-19 mitigation practices being implemented across the Project on a daily basis to ensure that the Project remained in compliance with ever changing health department mandates. UCT 2 monitored active mitigation practices to ensure that Valard and its subcontractors only implemented measures that were set forth by government and local health authorities and were necessary to promote the wellbeing of Project personnel, local residents, and members of Indigenous communities. In addition, UCT 2 monitored monthly safety reporting to track the number of COVID-19 cases on the Project and collaborated with the EPC Contractor to ensure that measures being implemented were effective, reasonable in nature, and prudently incurred.

OEB STAFF INTERROGATORY - 10

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Please refer to UCT 2's Response to Staff IR-9(e) and Tabs titled "Cover Page" and "Summary Table" found in Attachment 1 to that Response (Exhibit I-01-09(d) and Exhibit

I-01-09 Attachment 1) and detailed breakdowns found in the dark green colour-coded Tabs in Attachment 1.

The \$5,952,247 amount referenced in the Preamble to this question includes subcontractor costs directly incurred by UCT 2, as well as accounting entries, in the amount of \$78,158. Specifically, the subcontractor invoices that total approximately \$78,000 are attached to this response as Attachment 1. The remaining amount relates to accounting entries associated with interest during construction and the reversal of an accrual.

- b) As noted in subpart (a) of this response, the subcontractors referenced in this category include those retained by the EPC Contractor as well as UCT 2. UCT 2 is not in possession of contracts, documents, or communications between Valard and their subcontractors. Subcontractors engaged directly by UCT 2 did not approach UCT 2 for increases related to COVID-19 incremental material and labour costs.
- c) Please refer to UCT 2's Responses to IR Staff-8 (c - f) (Exhibit I-01-8 (c-f)) and IR Staff-9 (f) (Exhibit I-09 (f)).
- d) UCT 2 is not in possession of the contracts made between the EPC Contractor and its subcontractors and therefore has no information responsive to this request. Regarding subcontractors that UCT 2 retained, none of these subcontractors made claims for increased costs based on force majeure or other similar type events.
- e) The subcontractor costs in questions were tracked separately from any claimed costs relating to the productivity loss that is referenced in the Socotec report. These subcontractor costs relate to material expenses that were incurred to mitigate the impacts of COVID-19, such as procuring PPE for workers, supporting increased de-mobilization events, procuring physical testing equipment, and renting additional vehicles to adhere to government mandates. All of these costs are supported by material invoices that align with the amounts for which UCT 2 is seeking recovery. Importantly, subcontractor costs are excluded from the productivity analysis prepared by Socotec. The analysis by Socotec is limited to Valard labour, equipment and travel, living out allowance and camp costs. The only third-party vendors included in the Socotec analysis are in the camp cost calculations. The subcontractors related to the costs referenced in this interrogatory were not involved in camp operations and were specifically excluded from Socotec's analysis. For a description of the review process conducted by UCT 2, please refer to UCT 2's Response to Staff IR-9 (b,c &e) (Exhibits I-1-9(b,c &e)).
- f) Please refer to the response provided to Staff IR-9 (c) (Exhibit I-1-9(c)), which also applies to the cost category referenced in this Interrogatory.
- g) UCT 2 rejected \$2,478,355 of the subcontractor claim. Examples of costs that were rejected include duplicate invoices, expenses that were deemed to be unrelated to their respective category, invoices related to other projects, and amounts that otherwise were

not justified. Please also see UCT 2's Response to Staff IR-8 (c-f) (Exhibit I-1-8(c-f)) for email correspondence that contained examples of rejected costs.

- h) Please refer to the response provided to IR Staff-9 (i), which also applies to the cost category referenced in this Interrogatory.

OEB STAFF INTERROGATORY - 11

Reference:

1. 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.

Interrogatory:

- 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.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's Practice Direction on Confidential Filings.

- a) The Contractor's original budget, which is derived from the Contractor's original bid estimate, does not budget costs by time period. As is typical for construction projects, the original budget provides only the total anticipated costs for various activities and/or elements required

report. For a description of the review process conducted by UCT 2, please refer to UCT 2's Response to Staff IR-9 (b,c &e) (Exhibits I-01-09).

- f) Please refer to the response provided to Staff IR-9(c) (Exhibit I-01-09), which also applies to the cost category referenced in this Interrogatory.
- g) Please refer to the response provided to Staff IR-9(i) (Exhibit I-01-09), which also applies to the cost category referenced in this Interrogatory.

OEB STAFF INTERROGATORY - 12

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Cleaning costs included with safety costs, which were minor in nature, included third party invoicing for cleaning of quarantine rooms and the purchase of cleaning supplies used with personal protective equipment. Cleaning costs included with security and camp operations were generally for increased cleaning of facilities as preventative measures, which was intended to prevent or limit outbreaks among each camp population.
- b) UCT 2 performed a thorough review of all supporting documentation provided for both referenced categories and analysed cleaning costs in the “safety” and “security and camp operations” category to ensure that no overlap existed. The costs referenced in the “safety” category relate to time spent by Valard employees performing incremental cleaning activities (outside of basic housekeeping and maintenance practices), while the costs referenced in the “security and camp operations” are supported by separate invoices incurred by Valard relating to camp operators and third-party cleaning companies. Each of these cost categories is entirely independent from the other, and UCT 2’s review process determined that no overlap existed.
- c) Quarantine and self-isolation costs were incurred following Project personnel’s receipt of positive COVID-19 test results or observation of COVID-19 symptoms that warranted a self-isolation period to self-monitor the condition of one’s health. The costs associated with supplying lodging and meals for workers who were required to quarantine or self-isolate were tracked separately from the costs incurred to compensate workers for the time spent awaiting their test results upon arrival to the Project. The time required to obtain test results varied throughout the course of the Project and was influenced by multiple factors, including the number of COVID-19 tests to process, the capacity of the testing equipment, and the availability of safety personnel to assist with testing activities.
- d) UCT 2 performed a thorough review of all supporting documentation submitted for each of these categories to confirm that no invoices were duplicated and charged across both categories. All invoices were scrutinized to ensure that they were reasonable in nature,

prudently incurred, and exclusive to the Project. Timesheets were reviewed to confirm that the incremental costs included in the claim pertained only to COVID-19 related activities that were necessary to maintain compliance with government and municipal health unit mandates. No overlap in claimed costs was identified following UCT 2's review process. For a description of the review process conducted by UCT 2, please refer to UCT 2's Response to Staff IR-9 (b, c & e) (Exhibits I-01-09(b, c & e)).

- e) Please refer to UCT 2's Response to Staff IR-9(e) and the Tabs titled "Cover Page" and "Summary Table" found in Attachment 1-to that Response (Exhibit I-01-09(d) and Exhibit I-01-09 Attachment 1). Please also refer to the detailed breakdowns found in the orange colour coded Tabs in Attachment 1.
- f) Please refer to UCT 2's Response to IR Staff 8 (c – f) (Exhibit I-01-08 (c-f)), as well as the Response to IR Staff-9 (f) (Exhibit I-01-09 (f)), which also applies to the cost category referenced in this Interrogatory. Please also see UCT 2's Response to Staff IR-8-(e) (Exhibit I-01-08(e)) for email correspondence that contains examples of rejected costs.
- g) Please refer to UCT 2's Response to IR Staff 8 (c – f) (Exhibit I-01-08 (c-f)), as well as the Response to IR Staff-9 (f) (Exhibit I-01-09 (f)), which also applies to the cost category referenced in this Interrogatory.
- h) UCT2 rejected \$227,308 of the \$4,286,613 initial claim for quarantine/self-isolation. Examples of costs that were rejected include duplicate invoices, expenses that were deemed to be unrelated to their respective category, and invoices incurred on other projects. For further detail on the review undertaken by UCT 2, please refer to the response to IR Staff 8 (c-f) (Exhibit I-01-08 (c-f)).
- i) The quarantine and self-isolation costs referenced in this category are supported by specific cost codes that were developed and implemented to track incremental costs pertaining to COVID-19 isolation requirements. These costs are supported by employee timesheets and material costs that were incurred by the EPC Contractor to enable these workers to self-isolate / quarantine in an environment that would best mitigate the risk of spreading the virus to other workers. The costs included in this category do not pertain to the productivity losses experienced by the EPC Contractor resulting from constructing the Project during the pandemic. Costs in this category relate independently to direct and measurable incremental overages relating solely to worker quarantine and isolation practices that were implemented to adhere to health protocols administered by government and regional health departments.
- j) Like other costs that could be tracked discretely, the Contractor established separate cost accounting codes to track these unanticipated additional costs associated with the pandemic. The analysis by Socotec excluded all costs charged by the Contractor under these new cost accounting codes.
- k) The review and mitigation of costs in the quarantine/self-isolation category was the same as the review of other Project cost categories. Please refer to subpart (j) of this response and UCT 2's Responses to IR Staff 8 (c-f) (Exhibit I-01-8 (c-f)) and IR Staff-9 (f) (Exhibit I-01-09 (f)).

OEB STAFF INTERROGATORY - 13

Reference:

1. 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.

Interrogatory:

- 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.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's Practice Direction on Confidential Filings.

- a) The Contractor's original budget for travel costs was [REDACTED] UCT 2 has no further breakdown of this budget amount.
- b) Please refer to UCT 2's Response to Staff IR-9(e) and the Tabs titled "Cover Page" and "Summary Table" found in Attachment 1-to that Response (Exhibit I-01-09(d) and Exhibit I-01-09 Attachment 1). Please also refer to the detailed breakdowns found in the light orange colour coded Tabs in Attachment 1. Of the overall incurred travel costs on the Project (\$22,140,217), the actual flight costs were \$6,694,771. This amount includes all travel-related costs incurred (i.e., airfare, hotel accommodations, and travel-related employee expenses). The actual flight count was 16,050 (one-way) fares. The data provided by the Contractor is segregated monthly. UCT 2 has no further breakdown of the actual flight data.
- c) Please refer to the response to subpart (b) above.
- d) Please refer to UCT 2's Response to Staff IR-8 (c-f) (Exhibit I-01-08), as well as the response to Staff IR-9 (f) (Exhibit I-01-09), which also applies to the cost category referenced in this Interrogatory. Please also see UCT 2's Response to Staff IR-8-(e) (Exhibit I-01-08) for email correspondence that contains examples of rejected costs.
- e) Please refer to UCT 2's Response to Staff IR-8 (c-f) (Exhibit I-01-08), which also applies to the cost category referenced in this Interrogatory.
- f) UCT 2 rejected \$114,515 of the initial claim for the Flight program costs. Examples of costs that were rejected include duplicate invoices, expenses that were deemed to be unrelated to their respective category, invoices incurred on other projects, and amounts that otherwise were not justified. Please also see UCT 2's Response to Staff IR-8-(e) (Exhibit I-01-08) for email correspondence that contains examples of rejected costs.
- g) To best mitigate worker travel delays that were common during the COVID-19 pandemic, the EPC Contractor utilized private charter flights to mobilize and de-mobilize workers to the Project on a rotational schedule. The costs described in this category are supported by material invoices that were scrutinized by UCT 2 to confirm that they related to the Project and were reasonable in nature. The material incremental costs that were incurred to operate the Flight program are separate and apart from the productivity loss that was experienced during day-to-day activities on the Project resulting from performing construction activities during the COVID-19 pandemic. Socotec excluded these costs by applying a credit for the total amount quantified (\$3,337,438) prior to calculating travel and living out allowance (LOA) in the productivity analysis. The material costs incurred to execute the Flight program are independent from the productivity losses that are discussed in the Socotec report.
- h) Please refer to the response provided to IR Staff-9(c) (Exhibit I-01-09), which also applies to the cost category referenced in this Interrogatory.

- i) UCT 2 worked in collaboration with the EPC Contractor to ensure that charter flights being operated for the Project were scheduled to maximize occupancy and efficiency. This mitigated any further incremental costs due to additional charters. The EPC Contractor actively managed the flight program and modified worker rotations to align with the planned charter flights to maximize its overall productivity. This flight program was implemented to mitigate extensive travel delays that plagued commercial airlines throughout the COVID-19 pandemic. This program operated out of the Thunder Bay international airport, which was the only major airport within the Project region. Please also refer to the response provided to Staff IR-9(i) (Exhibit I-01-09).

OEB STAFF INTERROGATORY - 14

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Please see Attachment 5 to the Response to Staff-IR 8(c-f) (Exhibit 1-01-08 Attachment 5).
- b) Please see Attachment 6.8 to this Response Also, please see Attachment 5 to the Response to Staff-IR 8(c-f) (Exhibit I-01-08 Attachment 5).
- c) UCT 2 has confirmed that Valard first retained Socotec's predecessor entity (C2Gi) on February 19, 2021. The scope of this engagement is described in the retainer letter attached to this response as Attachment 1.

UCT 2 retained Socotec on May 18, 2023, after payment of Change Orders 6 and 7. At that time, UCT 2 was in the process of preparing the Application and determined that Socotec's perspectives, as were adopted by the parties in the Change Order 6 and 7 negotiations, would be helpful and relevant to the presentation and content of the Application. The engagement letter is attached to this response as Attachment 2.

- d) UCT 2 does not have possession or control of information provided by Valard to Socotec. Regarding UCT 2's engagement of Socotec, Socotec sourced the vast majority of the cost information from Valard's accounting system. This was supplemented by additional cost information related to non-EPC Contractor costs which UCT 2 provided.

The numbers, information, and data provided by UCT 2 to Socotec as part of Socotec's retainer include the following:

- Nextbridge_EWT 4th Quarterly Report_20230120 (see Exhibit I-01-52 Attachment A4)
- Nextbridge_EWT Quarterly Progress Report_20221021 (see Exhibit I-01-52 Attachment A4)
- Scope Change Order #1 (SCO #1) (executed) (see Application Exhibit E, Tab 2)
- Scope Change Order #2 (SCO #2) (executed) (see Application Exhibit E, Tab 2)
- Scope Change Order #3 (SCO #3) (executed Rev 2-20-20) (see Application Exhibit E, Tab 2)
- Scope Change Order #4 (SCO #4) (executed) (see Application Exhibit E, Tab 2)
- Scope Change Order #5 (SCO #5) Rev 8-23-21 (executed) (see Application Exhibit E, Tab 2)
- Scope Change Order #6 (SCO #6) Rev 11-05-21 (executed) (see Exhibit I-02-12 Attachment 9)
- Scope Change Order #7 (SCO #7) Rev 8-4-22 Signed (see Exhibit I-02-12 Attachment 10)
- Construction Cost Detail for Socotec (see attached Exhibit I-01-14 Attachment 3)

- e) Yes, UCT 2 seeks to have the Socotec Report treated as expert evidence in this proceeding. UCT 2 seeks to have Socotec qualified as experts in the fields of construction cost management, delay analysis, and quantification of construction claims. Form A Acknowledgements of Expert completed by the authors of the Socotec Report are attached as Exhibit I-01-14 Attachments 4 and 5.

As set forth in the curricula vitae attached in the Socotec Report (Exhibit C, Tab 2, Exhibits 1 and 2), the authors of the Socotec Report have extensive experience as experts in cost and schedule delay analysis, with a combined industry experience of over 60 years. Although COVID-19 was unprecedented, the Socotec Report authors applied their expertise to analyze, estimate, and quantify the resulting impacts as they would for any other complex cause of project delay.

The authors relied on their expertise and third-party industry research to prepare their findings and produce the Socotec Report regarding Valard's productivity loss and cost impact claims.

Mr. Anderson, the primary author of the Socotec Report, has been qualified in United States federal and state courts, US Armed Services Board of Contract Appeals proceedings, US arbitrations, and International Chamber of Commerce arbitrations. In these proceedings, Mr. Anderson provided expert testimony on numerous commercial, environmental, infrastructure, and institutional projects related to project schedule delays and impacts, analysis of resources and productivity, and quantification of damages. Mr. Anderson has analyzed numerous large power transmission projects throughout North America:

- Bipole III Transmission Line Project, Manitoba, Canada
- Brucejack Transmission Line Project, British Columbia, Canada
- Interior to Lower Mainland Transmission Line Project, British Columbia, Canada
- Jefferson-Martin Transmission Project, California
- Labrador Island Link Transmission Line, Newfoundland and Labrador, Canada
- OMPPA Transmission Project, California
- Sunrise Power Link Transmission Line, California
- Wataynikaneyap Transmission Project, Ontario, Canada

Mr. Adams, the secondary author of the Socotec Report, is a Project Management Professional and Fellow of the Institute of Construction Claims Practitioners. He has over 25 years of experience working in the US and Canada as an onsite project scheduler, engineering and lead planner, project controls lead, and document control manager. He has performed schedule forensics and delay analysis for a multitude of private and public projects across North America.

- f) The authors are currently engaged in multiple confidential COVID-related delay analysis, productivity loss, and claims quantification mandates in the US and Canada. As experts in the fields of construction cost management, delay analysis, and quantification of construction claims, Socotec has been qualified as experts to opine on the costs and schedule impact of

other complex causes of delay. For example, Socotec has been qualified to opine on tracking the incremental cost of delay mitigation measures, benchmarking and estimating productivity impacts, and quantifying claims for delay-related incremental cost increases on construction projects.

- g) Please refer to Attachments 6.1 - 6.8 (Exhibit I-01-14 Attachment 6.1 – 6.8) for documentation and analysis in support of the Contractor's claimed losses. Further information is also provided in the response to IR-Staff-8 (c-f, Attachment 5) (Exhibit I-01-08 Attachment 5).

OEB STAFF INTERROGATORY-15

Reference:

1. Exhibit C-Tab 1, page 17, Table Ex.C.4
2. 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.

Interrogatory:

- 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.

Response:

- a) UCT 2's debt consists of two different debt instruments. The first is a \$427,651,000 Senior Secured Fixed-Rate Partially Amortizing note with a 4.864% fixed interest rate. The second is a \$30,546,500 Credit Facility (with a \$50,000,000 limit) with interest based on a variable Canadian Dollar Offered Rate (CDOR). The short-term debt rate used in EB-2023-0298 is 6.145%, which is derived from the variable rate effective May 2023, the period closest to debt issuance. Please see the Credit Agreement in Attachment 1 to this Response (Exhibit I-01-15 Attachment 1) for further detail.
- b) The long-term debt is a \$427,651,000 Senior Secured Fixed-Rate note with a 4.864% fixed interest rate. There is no variable interest rate associated with this debt. Please see the Terms of Issue in Attachment 2 to this Response (Exhibit I-01-15 Attachment 2) for further detail.
- c) The OEB approved the capital structure for UCT 2 in EB-2020-0150. This consisted of 60% debt (comprised of 56% long term debt and 4% short term debt) and 40% Equity. Because UCT 2's actual debt was not issued and actual interest rates not known at the time of Decision and Order EB-2020-0150, the 2021 Cost of Capital Parameters issued by the OEB on November 9, 2020, were used to calculate the cost of debt. UCT 2 requires debt to finance 60% the funding for the capital expenditures incurred to complete the East-West Tie project. This includes funding for the assets approved as part of EB-2020-0150 and also for the additional \$160.4 million requested for approval in the Application.

To finance the rate base approved in EB-2020-0150, a 30-year amortizing bond for the long-term and a 2-year revolving credit facility for the short-term were chosen. The long-term debt aligns with the fact that the service lives of the underlying assets are longer term. For short-term debt, the revolving credit facility structure allows flexibility to manage short-term cashflow requirements while also maintaining the 60% debt ratio. The debt was secured in May 2023.

After the OEB's decision on this Application, UTC 2 will calculate the amount of long-term and short-term debt required to meet the target 60% debt capital structure. It will assess how much of the existing revolver capacity can be utilized and will then work with the NextEra Energy Treasury team to secure any additional short-term debt and long-term debt. In the Application, UCT 2 has requested the company's current actual debt rates be used for revenue requirement calculation purposes. The DRVA 2 mechanism will ensure that if market rates move up or down the difference will be tracked and brought forward for approval in a subsequent proceeding. This will ensure fairness in that UCT 2 will only recover actual debt costs, no more and no less than its actual cost of debt.

The NextEra Treasury team maintains strong banking relationships with over 100 banking institutions globally. To secure the current long-term debt, a strong Canadian bank group led by TD Bank was selected. Bank of Montreal, CIBC, and Scotia also participated. TD Bank took the Lead Placement Agent role and Bank of Montreal, CIBC, and Scotia participated as Co-Placement Agents (collectively, the Banking Group).

A private placement structure was selected for the issuance of bonds given that UCT 2 would be an infrequent issuer of debt and aggregate bond offerings would be small relative to the size of debt programs undertaken by various public corporate bond issuers.

The Canadian private placement market is dominated by life insurance companies, pension funds, and asset managers, and includes certain other private and public investors. Because of this, TD initially reached out to eleven private placement investors, including several life insurance companies, pension funds, and asset management firms.

- The eleven target private placement investors represented some of the largest investors in the Canadian market as well as those investors who have historically shown interest in power sector opportunities.
- The amount of debt to be raised by UCT 2 allowed for competition among the target investor base and for pricing tension throughout the bond marketing process. This resulted in competitive and cost-effective pricing.

A similar approach will be followed to secure actual financing rates for the capital expenditures approved in this Application. NextEra has long-standing relationships with some of the largest banks in the world. These relationships enable NextEra to bargain for favourable financing terms, which keep interest rates low for customers to deliver value.

OEB STAFF INTERROGATORY-16

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Accounting income is 80% taxable due to the Project's planned partnership structure where 20% ownership was held by Bamkushwada Limited Partnership ("BLP"), a non-taxable First Nations entity. Although BLP's current ownership is 3.5036%, UCT 2 did not increase the 80% taxable to 96.5% taxable for requested COVID and CCVA revenue requirements.

As a result of the current lower than planned BLP ownership percent, UCT 2 will pay higher annual taxes of \$0.02 MM with respect to COVID and \$0.01 MM with respect to CCVA capital expenditures, which it is not seeking to recover from customers during the current IR term.

- b) Income tax calculations are consistent with the Response to Staff IR-1 (Exhibit I-1-1).

OEB STAFF INTERROGATORY- 17

Reference:

1. Exhibit C-Tab 1, page 9, Table Ex.C.3
2. Exhibit C-Tab 2, page 3
3. Exhibit C-Tab 2, page 6
4. 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).

Interrogatory:

- 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....						

Response:

- a) Regarding the study titled “Evaluation of measures to prevent the spread of COVID-19 on the construction sites,” UCT 2 offers the following responses and clarifications:
- i) The data is based on a study conducted in Malaysia. Although geographical and climate conditions differ, as noted in the Socotec report, page 4, part 1, at the time of writing, “only limited industry studies were available, as the impacts from the COVID-19 Pandemic were effectively peaking.” The Socotec report further notes that the “assessment was ultimately based on an average loss derived from the limited number of industry studies that were available at the time.”
 - ii) The location of the % for the PIF of the study is on page 8 of 19, section 6.2, paragraph 2.
 - iii) As noted in the abstract on page 1 of the study (page 2 of the PDF attachment), the methodology employed a “questionnaire instrument that included 24 Covid-preventive measures on construction sites. Isolating sick workers, conducting daily checks for COVID-19 symptoms, preventing hugging/handshaking at the site, displaying health advisory posters and info-graphics, and providing face masks to workers are seen to be the main measures towards keeping sites “Covid-safe”. The Principal Component Analysis structured the 24 measures into 4 components. The 4 components explained about 73% of the model, namely hygiene and control, equipment and monitoring, awareness, and incentives.”

UCT 2 also offers the following additional information pertaining to the 21 collected industry studies that informed the development of the 24.7% PIF factor:

- At the time Socotec conducted its analysis – one-year into the pandemic – Socotec conducted searches for all available studies. What is referenced in the Socotec report is what was found and available information at that time.
- Socotec did not believe it was appropriate to ignore any of the studies found.
- Socotec did not believe it was appropriate to weight any of the studies found.
- Socotec recognized that the studies were from a variety of locations around the world and covered a variety of work types. Socotec considered that the studies would indicate a smaller COVID-19 impact than actually incurred on EWT for a number of reasons, such as that none of the studies involved an isolated camp job such as EWT – where the impacts would likely be more severe. For example, on EWT, many of the construction workers stayed in remote camps during their shifts on the Project, and due to COVID-19, the travel and mobilization efforts were significantly impacted by quarantine, testing and safety protocols. Additionally, as noted in the Socotec report, page 3, par. 2, “several municipalities and local Indigenous communities also implemented changes affecting the Project...”

b) There is no overlap with the direct costs identified by UCT 2 (Table Ex.C.3). As reflected in the table populated below, all responses are “NO.” Valard established cost codes during the pandemic to track direct COVID costs discreetly, and as such the costs in the categories in the table have specific costs assigned to them which were not considered in the Socotec productivity loss calculation.

Study	Is there Overlap with Direct COVID-19 Costs (Answer as Yes, No or Unclear)					
	Safety	Subcontractor	Security & Camp Operations	Quarantine / Self/Isolation	Flight Program	First Nations Consultation & Participation
UK construction...	NO	NO	NO	NO	NO	NO
Pandemics and Productivity...	NO	NO	NO	NO	NO	NO
COVID-19 Construction Productivity...	NO	NO	NO	NO	NO	NO
Pandemics and Construction Productivity...	NO	NO	NO	NO	NO	NO
Evaluation of measures...	NO	NO	NO	NO	NO	NO
Impact of COVID-19 Pandemic on Demand....	NO	NO	NO	NO	NO	NO

OEB STAFF INTERROGATORY- 18

Reference:

1. 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%.

Interrogatory:

- 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.

Response:

- a) Based on the assessment completed at the time of Socotec's original analysis (and without the benefit of the measured mile analysis), Socotec assessed the daily time loss for COVID mitigation efforts (i.e., employees being diverted from normal construction related activities to Pandemic related activities) in a range of 48 to 77 minutes on average for each employee. In developing its assessment of lost worker time associated with the COVID-19 mitigation efforts, Socotec worked with the Contractor's construction staff to quantify the lost worker time associated with the implementation of COVID-19 health and safety protocols (i.e., outlining time studies needed, reviewing results, etc.). As detailed in Socotec's report, extensive additional safety protocols were implemented: entry and exit screening; increased cleaning of vehicles, equipment, tools, office areas and accommodations; the use of increased personnel protective equipment; training and response drills; added inspections; and other similar measures. The Contractor quantified the number of minutes of unproductive work by field observation (i.e., monitoring actual spent time performing cleaning operations, wait times at gates for entry and exit screening, extension of daily meeting times for management of COVID related safety checklists, and lunch rotations). Socotec interviewed the field personnel and developed the time impact ranges shown in its report. As noted in its report, Socotec

concluded that the time impacts identified represent a conservative assessment of the lost time due to employees being diverted from normal construction-related activities to pandemic-related activities.

- b) Other Impacts, which is quantified in the range of 2% to 3%, represent Socotec's assessment of the lost time associated with periodic impacts applied to the overall work force (i.e., increased cleaning of equipment, tools, office areas and accommodations, the use of increased personnel protective equipment, training and response drills, added inspections and other measures). These impacts were not daily occurrences, but rather, increments of lost time that were irregular in frequency and resulted in differing levels of impact to different members of the overall work force. Again, Socotec interviewed the field personnel and developed the time impact range shown in its report.
- c) UCT 2 first became aware of time losses and Project inefficiencies at the onset of the pandemic.
- d) The efforts undertaken to mitigate time losses included increases to the Contractor's management and supervision staff to gain efficiencies in the implementation of the protocols, provide guidance and oversight to respond to changing circumstances and government regulations, conduct training and response drills, add inspections to ensure that procedures and protocols were in place, enforced and implemented timely. Significant time and research were required by UCT 2 and the Contractor to develop best practices and to provide communication and education of these practices to management and supervisory staff members and then to the field workers.

OEB STAFF INTERROGATORY-19

Reference:

1. 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.

Interrogatory:

- 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.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's Practice Direction on Confidential Filings.

With respect to the responses to subparts a) through d), the original budget provides only the total anticipated labour hours and costs for the performance of all the original scoped work on the Project. The original budget does not segregate costs by time period, which in our experience is typical for construction projects.

- a) As shown in Exhibit I-01-11 Attachment 1 to UCT's response to Staff's Interrogatory 11, the original budget is summarized as follows:

Cost Type	Budget Amount
██████████	██████████

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The excel spreadsheet attached as Exhibit I-01-11 Attachment 1 to UCT 2's Response to Staff IR-11 also provides details for the budget amounts summarized for each of the cost codes originally established by the Contractor. The spreadsheet can also be filtered by major work activity using the Cost Code Grouping fields (columns A to C).

- b) As detailed in Exhibit I-01-11 Attachment 1 to UCT 2's Response to Staff IR-11, the original budget for the measured mile work activities is summarized as follows:

Work Type	Budget	
	Labour Hours	Labour Costs
Structure Assembly	[REDACTED]	[REDACTED]
Structure Erection	[REDACTED]	[REDACTED]
Conductor Stringing	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]

- c) A spreadsheet containing all labour hours and costs from the start of the Project until substantial completion of the work is attached as Exhibit I-01-12 Attachment A to Staff IR-12. Detailed and monthly summary tables that break down the actual hours and costs by month and work type are included on the worksheet tabs labeled "All Labour Hours Monthly" and "All Labour Costs Monthly". Detailed transactional labour data in support of the monthly labour hours and costs totals are included on the worksheet tab labeled "All Labour Detail". As indicated, the EPC Contractor expended a total of 2,509,717 labour hours during the entire project period, with corresponding labour costs totaling \$184,317,032.

The COVID-19 productivity loss analysis, and the figures above, exclude labour hours and cost amounts from the EPC Contractor's extra work cost codes established by the EPC Contractor to separately track costs associated items such as the COVID-19 direct costs, the forest fire event and Kama Cliffs. Since these items were assessed separately, the cost codes were excluded to avoid the potential for duplication. Additional labour charges totaling \$8,744,069 (119,001 hours) were charged within these extra work accounts. The EPC Contractor also used the extra work cost codes to apply an internal credit totaling \$9,510,538 to offset a portion of the losses on its books.

- d) A spreadsheet containing all labour hours and costs for tower structure assembly, tower structure erection, and conductor stringing work is attached as Attachment 1 (Exhibit I-01-19 Attachment 1). A monthly summary table that breaks down the actual hours and costs by month and work type is included on the worksheet tab labeled "Monthly Summary." Supporting Contractor cost accounting transactional data is also included on the worksheet tab labeled "Labour Detail."

OEB STAFF INTERROGATORY- 20

Reference:

1. 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.

Interrogatory:

- 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.

Response:

(a)

- i) All major transmission line projects constructed by the Contractor over the past 10 years were considered. This included the following projects:
 1. SaskPower I1K Transmission Project (2013 to 2015)
 2. NALCOR HVAC Lower Churchill Transmission Project (2014 to 2016)
 3. NALCOR HVDC Labrador-Island Link Transmission Project (2014 to 2017)
 4. West Fort McMurray Transmission Project (2017 to 2019)
 5. Manitoba – Minnesota Transmission Project (2019 to 2020)
 6. Wataynikaneyap Transmission Project (2020 to 2024)
- ii) Socotec selected the comparator line projects.
- iii) Setting aside smaller distribution line projects, to Socotec's knowledge the six projects listed in subitem (i) above encompass the major transmission line projects that the Contractor completed (or was in the process of completing) between 2014 to 2023.

- iv) The overall goal of the measured mile analysis was to compare the Contractor's productivity during the COVID impact period to its productivity when doing similar work under normal (unimpacted) conditions. The primary criteria considered isolated, unimpacted projects that were substantially similar in type, nature, and complexity to the work on East-West Tie project (i.e., large projects similar in scope, camp accommodations, with substantial lattice tower assembly / erection and conductor stringing work).

Of the six projects identified in subitem (i), two were excluded. The NALCOR HVDC Labrador-Island Link Transmission Project was excluded for two reasons. First, this is a DC line, and the stringing work is not comparable because the conductor is significantly heavier and therefore much more difficult to install. Second, the work on the project was not unimpacted, as extensive unforeseen impacts and delays were experienced that resulted in a confidential settlement between the Contractor and Owner.

Regarding the SaskPower I1K Transmission Project, at the time Socotec's report was prepared, the Contractor had not yet provided the required data to include this Project. Since that time, the Contractor has provided the necessary data and Socotec has re-calculated the measured mile with the inclusion of this Project. As indicated in Attachment 1 to this Response (Exhibit I-01-20 Attachment 1), the addition of the SaskPower I1K Transmission Project would result in an adjusted loss factor of 42.3%.

OEB STAFF INTERROGATORY- 21

Reference:

1. 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.

Interrogatory:

- 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.

Response:

a) Please see Attachment 1 (Exhibit I-01-21 Attachment 1) to this Response, which includes Socotec’s Excel spreadsheet (with formulas intact). The budgeted productivity difference of 8.19% compares the budgeted hours to complete the East-West Tie work to the hours that would have been budgeted if the work had been estimated at the measured mile budget rates. The table below illustrates the calculations.

	A	B	C (B - A)	D (C ÷ B)
Work Type	East-West Tie (Hours Calculated at budget <u>MM</u> <u>RATES</u>)	East-West Tie (<u>BUDGET</u> <u>HOURS</u>)	<u>DIFFERENCE</u> (Budgeted Hours on East-West Tie in Excess of What Would Have Been Budgeted at MM rates)	Percentage Loss Factors (<u>DIFFERENCE</u> Divided By <u>BUDGETED</u> <u>HOURS</u>)
Assembly Hours	462,402	473,256	10,854	2.3%
Erection Hours	131,681	120,181	-11,500	-9.6%
Stringing Hours	267,526	345,062	77,536	22.5%
Totals	861,609	938,499	76,890	8.19%

The 8.19% figure is calculated based on the difference between (i) the combined total budgeted hours for assembly, erection and stringing with the quantities for each multiplied by the average measured mile estimated rates (totaling 861,609) and (ii) the combined total hours for assembly, erection and stringing that were estimated (totaling 938,499). This difference equals 76,890 hours, which is 8.19% of the budgeted hours ($76,880 \div 938,499 = 8.19\%$). The calculations for the individual work types are performed in the same manner.

- b) Socotec has re-calculated the measured mile budget comparison to exclude Watay Groups 1 and 2 as requested. These calculations are provided in Attachment 2 to this Response (Exhibit I-01-21 Attachment 2).
- c) As indicated in Attachment 2 (Exhibit I-01-21 Attachment 2), the exclusion of Watay Groups 1 and 2 would result in adjustments to the loss factors as shown below:

	MMTP	WFMAC	NALCOR	WATAY Groups 1 & 2	BASELINE AVERAGE	EWT	EWT (@ Baseline MM Rates)	VARIANCES (+) EWT is more difficult; (-) EWT is less difficult
ASSEMBLY	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
Manhours	89,752	497,655	290,482		877,889	473,256	476,489	-0.68%
Weight	2,906,278	20,122,676	10,165,473		33,194,427	18,016,821	18,016,821	(56.0% of work)
Assembly (kg per manhour)	32.38	40.43	35.00		37.81	38.07	37.81	
ERECTION	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
Manhours	22,067	128,602	63,651		214,320	120,181	116,326	+3.21%
Weight (kg)	2,906,278	20,122,676	10,165,473		33,194,427	18,016,821	18,016,821	(13.7% of work)
Erection (kg per manhour)	131.70	156.47	159.71		154.88	149.91	154.88	
STRINGING	BUDGETED	BUDGETED	BUDGETED	BUDGETED	BUDGETED	BUDGETED	BUDGETED	
Stringing Hours	82,117	507,053	279,178		868,348	345,062	258,632	+25.05%
Line length (m)	121,000	478,600	491,500		1,091,100	445,403	445,403	(30.4% of work)
conductor length (m)	1,331,000	6,700,400	3,932,000		11,963,400	3,563,222	3,563,222	
Stringing (meters per manhour)	11.00	14.00	8.00		13.78	10.33	13.78	
							Overall	+9.28%

OEB STAFF INTERROGATORY- 22

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The values in the unlabeled row at the bottom of the Table on page 48 are labour hour totals for each project applying budgeted and actual rates. For example, the first number shown on the left (238,858) is the total labour hours at the budget rate for the MMTP project shown in the column directly above (i.e., MMTP assembly hours of 126,119 + MMTP erection hours of 31,009 + MMTP stringing hours of 81,730 = 238,858 total labour hours).

OEB STAFF INTERROGATORY- 23

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The average productivity loss of 45.8% compares the actual hours expended to complete the East-West Tie work versus the hours that would have been expended if the work had been performed at the measured mile rates. The table below illustrates the calculations.

	A	B	C (B - A)	D (C ÷ B)
Work Type	East-West Tie (Hours Calculated at <u>MM RATES</u>)	East-West Tie (<u>ACTUAL HOURS</u> Expended)	<u>DIFFERENCE</u> (<u>ACTUAL HOURS</u> Expended on East-West Tie in Excess of What Would Have Been Expended at MM RATES)	Percentage Loss Factors (<u>DIFFERENCE</u> Divided By <u>ACTUAL HOURS</u>)
Assembly Hours	360,643	639,591	278,948	43.6%
Erection Hours	121,423	285,221	163,798	57.4%
Stringing Hours	187,180	310,984	123,804	39.8%
Totals	669,246	1,235,796	566,550	45.8%

The 45.8% loss factor is calculated based on the difference between (i) the combined total hours for assembly, erection, and stringing with the quantities for each multiplied by the actual measured unit rates (totaling 669,246) and (ii) the combined total actual hours for assembly, erection, and stringing (totaling 1,235,796). This difference equals 566,550 hours, which is 45.8% of the actual hours expended ($566,550 \div 1,235,796 = 45.8\%$).

- b) There is no difference in the “weighting” between the calculation illustrated in subpart (a) of this response and the calculation shown in the table at page 44 of the Socotec report. The budgeted productivity difference of 8.19% compares the budgeted hours to complete the East-West Tie work to the hours that would have been budgeted if the work had been estimated at the measured mile budget rates. The table below illustrates the calculations.

	A	B	C (B - A)	D (C ÷ B)
Work Type	East-West Tie (Hours Calculated at budget <u>MM RATES</u>)	East-West Tie (<u>BUDGET HOURS</u>)	<u>DIFFERENCE</u> (Budgeted Hours on East-West Tie in Excess of What Would Have Been Budgeted at MM rates)	Percentage Loss Factors (<u>DIFFERENCE</u> Divided By <u>BUDGETED HOURS</u>)
Assembly Hours	462,402	473,256	10,854	2.3%
Erection Hours	131,681	120,181	-11,500	-9.6%
Stringing Hours	267,526	345,062	77,536	22.5%
Totals	861,609	938,499	76,890	8.19%

As in the calculation presented in part (a) of this Response, the 8.19% figure is calculated based on the difference between the (i) combined total budgeted hours for assembly, erection, and stringing with the quantities for each multiplied times the average measured estimated rates (totaling 861,609) and (ii) the combined total hours for assembly, erection, and stringing that were estimated (totaling 938,499). This difference equals 76,890 hours, which is 8.19% of the budgeted hours ($76,880 \div 938,499 = 8.19\%$).

- c) Confirmed. The “East-West Tie Transmission Line Project (ACTUAL)” column includes all actual hours recorded for the Project, including hours before March 10, 2020. The requested segregation is provided below (adjusted to the beginning of March 2020, as the Contractor’s data is segregated monthly):

Work Type	Quantities (before 01MAR20)	Quantities (after 01MAR20)	Hours (before 01MAR20)	Hours (after 01MAR20)
Assembly	1,449,143	17,393,750	85,479	554,112.00
Erection	31,294	18,811,599	1,306	283,914.50
Stringing	-	3,563,222	-	445,402.81

As indicated in this table, some structure work was completed prior to March 2020. While the structure erection work completed prior to March 2020 was not material, approximately 9% of the assembly work did take place before the onset of the pandemic. An adjustment to the measured mile analysis to exclude all quantities and hours prior to March 2020 would result in an adjusted loss factor of 44.2%. Notably, Socotec’s original analysis outlined in its report did not apply the 24.7% factor to any hours prior to March 2020.

- d) The requested segregation is provided below (starting at March 1, 2020):

Month	Assembly			Erection			Stringing		
	Weight (kg)	Hours	Rate	Weight (kg)	Hours	Rate	Conductor Length (m)	Hours	Rate
30-Jun-20	1,557,759	46,485	33.5	597,358	9,470	63.1	0	0	0
30-Sep-20	3,418,150	105,067	32.5	2,581,944	28,477	90.7	260,948	20,311	12.8
31-Dec-20	2,304,416	76,133	30.3	2,391,928	31,606	75.7	413,420	24,303	17.0
31-Mar-21	2,777,365	101,786	27.3	3,121,011	47,362	65.9	360,697	29,448	12.2
30-Jun-21	1,911,760	57,119	33.5	1,717,337	20,601	83.4	259,966	28,527	9.1
30-Sep-21	3,579,766	117,516	30.5	2,849,696	44,392	64.2	407,302	31,908	12.8
31-Dec-21	1,826,635	49,028	37.3	5,159,237	93,738	55.0	851,220	74,254	11.5
31-Mar-22	17,898	979	18.3	393,086	8,271	47.5	1,009,670	102,234	9.9

It is important to consider that the impacts of the COVID-19 pandemic came in waves, with the severity of the impacts increasing and decreasing over time. The primary waves occurred in the winter months, which is when most of the work on the Project was planned to be completed (on frozen ground conditions). Two significant waves occurred in the winter months of 2021, and the Omicron wave took place in the winter months of 2022.

As a result of the increased impacts in the winter work seasons, significant elements of the work were ultimately performed out-of-sequence and in less favorable seasonal conditions (i.e., wet and muddy conditions when the ground is not frozen).

With any measured mile analysis, increasing the length of the performance period (and thereby the data being considered) will provide more accurate and reliable results. The larger the sample size the more accurate the results. In this case, Socotec has compared the “cost” of performing more than 22 million units of work on the East-West Tie project during the pandemic to more than 55 million units of work pre- and post-pandemic. It is Socotec’s view that the Project-wide measured mile comparison provides for the most accurate results.

- e) Regarding the potential for other disruptions, Socotec recognized that other impacts occurred during the Project. These impacts included disruptions that the Contractor generally tracked separately and Socotec specifically quantified discretely, some of which are identified in the Application (i.e., impacts at Kama Cliffs and White Lake Narrows and the 2021 wildfires). Other cost impacts were identified in subcontracted work (i.e., right-of-way and foundation work). The separately tracked costs associated with these impacts, including added subcontractor costs, were excluded from the application of the 24.7% factor. As discussed in UCT 2’s Response to Staff IR-12 (Exhibit I-01-12), this separate tracking also facilitated settlement negotiations and resulted in five categories of costs totaling \$95 million being excluded from the Applied-For Costs.

There were also significant impacts that occurred in the first seven months of the work and prior to the onset of COVID (late and out-of-sequence permit approvals and tower steel deliveries). The analysis did not apply the 24.7% factor to any hours prior to March 2020, and the associated delay-related costs quantified by Socotec separately were excluded from the OEB submission.

Socotec did identify some follow-on impacts in the structure work associated with the late and out-of-sequence steel deliveries. Because these follow-on impacts occurred during COVID, Socotec completed a separate analysis to discretely quantify those costs. Summarized below are the results of this analysis:

- Valard originally budgeted 593,438 labour hours to complete all structure work.
- Valard expended 971,061 labour hours to complete the work, resulting in an overrun of 377,623 hours.
- The application of the 24.7% factor accounts for 216,965 hours of the loss in structure work, leaving a remaining structure work overrun of 160,658 hours.

- Socotec's analysis of the follow-on impacts separately quantified a labour hour increase of 138,263 hours associated with the late and out-of-sequence steel deliveries, leaving 22,395 hours unallocated (i.e., not requested).

Neither the separately quantified hours associated with the late and out-of-sequence steel deliveries nor the hours that remained unallocated are included in the amounts put forth to the OEB for approval.

OEB STAFF INTERROGATORY- 24

Reference:

1. 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.

Interrogatory:

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

Response:

- a) For the purpose of quantifying the variance in performance between EWT and Watay during the pandemic, the calculations, by discipline, compared the variances in the unit rates. For the overall variance, the calculations divided the quantities for a given project by the rates achieved on the other project and then compared the results to the actual hours expended. This is illustrated in the following table on the following page:

	EWT (during pandemic)	WATAY Groups 1 & 2 (during pandemic)	VARIANCES (+ Watay was more difficult; - Watay was less difficult)
ASSEMBLY			
	ACTUAL	ACTUAL	
Manhours	639,591	316,490	-0.06%
Weight	18,842,893	9,329,316	
Assembly (kg per manhour)	29.46	29.48	
Calculation	(A) kg / Hr	(B) kg / Hr	(A-B)/A
ERECTION			
	ACTUAL	ACTUAL	
Manhours	285,221	155,462	16.94%
Weight (kg)	18,842,893	8,530,945	
Erection (kg per manhour)	66.06	54.87	
Calculation	(A) kg / Hr	(B) kg / Hr	(A-B)/A
STRINGING			
	ACTUAL	ACTUAL	
Stringing Hours	310,984	157,811	-3.49%
Line length (m)	445,403	467,827	
conductor length (m)	3,563,222.00	1,871,308.00	
Stringing (cond. meters per hour)	11.46	11.86	
Calculation	(A) kg / Hr	(B) kg / Hr	(A-B)/A
Total Hours (from above)	1,235,796	629,763	1,865,559 (C)
Hours Based on Watay Quantities at EWT Rates			609,120
Hours Based on EWT Quantities at Watay Rates			<u>1,283,104</u>
			1,892,224 (D)
		Overall Variance	+1.4% (D-C)/C

Note that the individual variances shown above for the three work disciplines have been corrected to address typographical errors in the table shown on page 51 of the Socotec report (in all three cases the percentage differences are less than what was originally shown). The overall variance of 1.4% remains unchanged.

An alternate calculation to what is presented in the above table would be to calculate the combined quantities for the two projects at the two different rates for both projects and assess the differential. In this calculation, the difference in productivity between the two projects would be just under 4%. Either method of calculation indicates that the productivity achieved on the two projects was similar during the pandemic, and both experienced substantially lower productivity than pre and post pandemic levels.

OEB STAFF INTERROGATORY- 25

Reference:

1. 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.

Interrogatory:

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

Response:

- a) The table below illustrates the more detailed calculations as requested.

	PRE-PANDEMIC	DURING PANDEMIC (Watay & EWT)	POST-PANDEMIC (Watay Group 2 - incl. 10% trailing loss)
ASSEMBLY	ACTUAL	ACTUAL	ACTUAL
Manhours	728,853	956,081	64,402
Weight	38,120,417	28,172,209	2,943,894
Assembly (kg per manhour)	52.30	29.47	45.71
ERECTION	ACTUAL	ACTUAL	ACTUAL
Manhours	235,974	440,683	28,966
Weight (kg)	38,120,417	27,373,838	2,992,766
Erection (kg per manhour)	161.55	62.12	104.47
STRINGING	ACTUAL	ACTUAL	ACTUAL
Stringing Hours	654,415	468,795	94,543
Line length (m)	1,120,512	913,230	303,409
conductor length (m)	12,376,880	5,434,530	1,880,562
Stringing (meters per manhour)	18.91	11.59	19.89
Total Actual Hours (from above)	1,619,242	1,865,559	187,911
Total Actual Units (from above)	88,617,713	60,980,577	7,817,222
Actual Units per Hour (units ÷ hours)	54.7	32.7	41.6
Total Budgeted Hours (from table on page 48)	2,160,288	1,420,889	252,304
Total Actual Units (from table on page 48)	88,620,356	60,980,685	7,817,222
Budgeted Units per Hour (units ÷ hours)	41.0	42.9	31.0
Actual Hours vs. Budget Hours	Budget Gain 55 units per hour actual vs. 41 units per hour Budgeted (25% budget gain)	Budget Loss 33 units per hour actual vs. 43 units per hour Budgeted (31% budget loss)	Budget Gain 42 units per hour actual vs. 31 units per hour Budgeted (26% budget gain)

The pre-pandemic hours and quantities identified above represent the combined totals for assembly, erection, and stringing work on the three comparable projects examined (Manitoba – Minnesota Transmission Project, West Fort McMurray Transmission Project, and NALCOR HVAC Lower Churchill Transmission Project).

The hours and quantities identified above during the pandemic represent combined totals for the two projects during the pandemic (Wataynikaneyap Transmission Project (Groups 1 and 2 work) and East-West Tie Transmission Project).

The post-pandemic hours and quantities above represent the remaining work completed by the Contractor on the Wataynikaneyap Transmission Project (Group 2 work) after the final Omicron wave ended in April 2022. Notably, the post-pandemic hours on Watay include an assumed 10% trailing loss (to account for the lingering effects of the pandemic). Excluding the trailing 10% loss adjustment on the post-pandemic Watay work would reduce the budget gain to approximately 18%.

OEB STAFF INTERROGATORY- 26

Reference:

1. 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.

Interrogatory:

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

Response:

- a) Exhibit I-01-14 Attachment 6.8 to UCT response to Staff IR-14(g) (Exhibit I-01-14(g)) sets forth the travel, living out allowance (“LOA”), and camp cost calculations. Specifically, these are reflected in the worksheet tab entitled “Travel LOA Camp Costs”, and for convenience the calculations are also shown in the table below:

Project Travel (Actual Costs (Aug 19 to Feb 22))	\$20,329,847.13
Living Out Allowance (Actual Costs (Aug 19 to Feb 22))	\$3,648,678.00
Camp Operations (Actual Costs (Aug 19 to Feb 22))	\$18,804,016.20
Total	\$42,782,541.33
Credit Added Cost Attributed to COVID Flight Program	-\$3,377,438.00
Credit Camp Costs Attributed to Kama Cliffs White Lake Narrows	-\$95,799.99
Credit Camp Costs Attributed to Kama Cliffs	-\$695,382.43
Credit Camp Costs Attributed to Forest Fire	-\$852,417.39
Adjusted Total	\$37,761,503.52
Total Project Manhours (Aug 19 to Feb 22)	2,629,147.7
Average Cost per Manhour for Travel, LOA and Camp Operations	\$14.36

As indicated above, the actual costs incurred for travel, LOA and camps total \$42,782,541.33. This amount was then reduced to an adjusted total of \$37,761,503.52 to account for added costs quantified in other discrete claims (i.e., to avoid the potential for duplication). The adjusted costs were then divided by the total labour manhours on the project (2,629,147.7) to arrive at an average cost per labour hour of \$14.36. This unit rate

was then applied to the labour hours quantified in the COVID-19 productivity analysis (to account for the added cost of travel, LOA, and camps associated with the productivity loss hours).

OEB STAFF INTERROGATORY- 27

Reference:

1. Exhibit C-Tab 2, page 59
2. 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.

Interrogatory:

- 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.

Response:

- a) The 15% Valard markup was agreed to as part of the overall Negotiated Outcome settlement of Valard's cost claims. In particular, UCT 2 and Valard looked to the terms of the EPC Contract to provide guidance on the resolution of those claims. Section 9.6 of the Contract addresses Scope Change Orders such as those ultimately executed by UCT 2 and Valard (in the form of Change Order Nos. 6 and 7). This provision directs that "increases or decreases to the Contract Price for items for which a unit rate is set forth in Exhibit B hereto shall be determined using such unit rates. Any Contractor [Valard] response to a Scope Change Order under Section 9.1 and any Contractor notification under Section 9.4, shall be accompanied by a proposed all-inclusive final lump sum cost to Owner; provided, however, Owner [UCT 2] may in its sole discretion determine that Contractor shall be paid for such Scope Change on a not to exceed cost plus basis."

The Parties utilized a "cost plus basis" for settling the COVID-19 Mitigation and Productivity Costs claim. This meant that a 15% adder (i.e., the "plus") was applied to the COVID-19 Mitigation and Productivity Cost amount of \$75,149,095 (Exhibit C, Tab 2, page 8). This 15% value is consistent with industry standards and is also consistent with previous Change Orders.

- b) Supercom negotiated separate contracts with (i) the EPC Contractor, Valard, and (ii) UCT 2. With respect to the EPC Contractor, Supercom received a fee based on 3% of the total contract value, including change orders. This 3% fee is included in the \$89,014,103 total in Ex.C-Tab 2, Page 59. With respect to UCT 2, Supercom submitted charges for COVID-related costs totaling \$384,110, which related to First Nations Consultation and Participation activities. Specifically, these costs were for incremental vehicle expenses and PPE related to

addressing pandemic-related transportation constraints and requirements. The UTC 2 contract charges are separate and distinct from the 3% EPC contract fee.

OEB STAFF INTERROGATORY- 28

Reference:

1. 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.

Interrogatory:

- 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.

Response:

(a-d)

As noted at page 1 of the Socotec report (“Nature of Engagement” at line 13-18), Socotec assisted the Owner and Contractor in facilitating discussions regarding COVID-19 impacts on construction projects by conducting a review of academic journal articles on this topic. The Compass International Inc. Study (“Compass Study”) – referenced at page 21 of the Socotec report and included as Exhibit 20 in the Socotec report – was one of the studies Socotec found in its review and has included in its assessment of this topic. Neither Socotec, Valard, nor UCT 2 had any involvement in the preparation of the Compass Study. UCT 2 has no information about the methods or details employed in the Compass Study, other than what is presented in the Compass Study itself.

OEB STAFF INTERROGATORY-29

Reference:

1. Exhibit C- Tab 2
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

Interrogatory:

- 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.

Response:

- a) All calculations, including formulas referencing other applicable tabs, are set forth in Exhibit I-01-14 Attachment 6.8 to UCT Response to Staff IR-14(g).

The average equipment rates shown on the worksheet tab entitled "COVID Impact Hours at 24.7%" in Exhibit I-01-14 Attachment 6.8 are derived by summing the total actual equipment costs contained in the Contractor's accounting data (shown on the worksheet tab entitled "Monthly Equip Costs") and dividing by the total actual labour hours expended (shown on the worksheet tab entitled "All Labour Hours Monthly"). To avoid the potential for overstatement, this calculation was performed separately for each work discipline. The result of the calculations provides the actual average equipment cost for each labour hour within each work discipline.

The fueling and mechanic allocation rates shown on the worksheet tab entitled "COVID Impact Hours at 24.7%" in Exhibit I-01-14 Attachment 6.8 are derived by summing the total fuel and mechanics costs contained in the Contractor's accounting data (shown on the worksheet tab entitled "Fuel and Mech Allocations") and dividing by the total actual labour hours expended (shown on the worksheet tab entitled "All Labour Hours Monthly"). To avoid the potential for overstatement, this calculation was performed separately for each work discipline. The result of the calculations provides the actual average equipment cost for each labour hour within each work discipline.

The unbooked equipment cost adjustment rates shown on the worksheet tab entitled "COVID Impact Hours at 24.7%" in Exhibit I-01-14 Attachment 6.8 are derived by summing the total unbooked equipment costs identified by the Contractor (shown on the worksheet tab entitled "Fuel and Mech Allocations") and dividing by the total actual labour hours expended (shown on the worksheet tab entitled "Unbooked Equip Allocations"). The unbooked equipment costs

represent costs actually incurred by the contractor (\$8,634,063), but not “booked” into its job cost accounting data due to the substantial losses being incurred on the Project. To avoid the potential for overstatement, this calculation was performed separately for each work discipline. The result of the calculations provides the actual average equipment cost for each labour hour within each work discipline.

The unbooked adjusted hourly equipment cost is a sum of the three items discussed directly above (average equipment rate + fueling and mechanic allocation rate + unbooked equipment cost adjustment rate = adjusted hourly equipment cost).

OEB STAFF INTERROGATORY- 30

Reference:

1. Exhibit C - Tab 2 - Exhibit 25 - Monthly Labour Costs
2. 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.

Interrogatory:

- 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.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's Practice Direction on Confidential Filings.

- a) The Contractor's original budget, which is derived from the Contractor's original bid estimate, does not budget costs by time period. As is typical for construction projects, the original budget provides only the total anticipated costs for various activities and/or elements required for the performance of all the work on the project. As shown in UCT 2's response to Staff 11 (Exhibit I-01-11, Attachment 1), the original budget for Travel, LOA and Camp Costs is summarized as follows:

Cost Type	Budget Amount
Labour Hours	[Redacted]
	[Redacted]
Labour \$	[Redacted]
Equipment \$	[Redacted]
Materials \$	[Redacted]
Other \$	[Redacted]
Subcontracts \$	[Redacted]
Totals \$	[Redacted]

OEB STAFF INTERROGATORY-31

Reference:

1. Exhibit D- Tab 1, page 6
2. Exhibit D- Tab 1. page 6, Table D.3

Preamble:

UCT 2 states that as fire shut down 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.

Interrogatory:

- 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.

Response:

- a) Because the mobilization events were priced and paid at crew rates pursuant to the terms of the EPC Contract, the details requested are not available. The EPC Contractor provided backup information at a crew level as detailed in the spreadsheet included in Attachment 1 (Exhibit I-01-31 Attachment 1) to this response. UCT 2 used this information to verify each of the crews that were involved in the mobilization events and paid accordingly based on the applicable contract rates.
- b) If UCT 2 had not allowed the crews to remobilize to workfronts unaffected by the fire shutdown, the Project would have been responsible for compensating the EPC Contractor for the complete de-mobilization of approximately half of the Project workforce during this time. The Project schedule would have been placed at a severe risk due to the accompanying production loss that would have been directly associated with losing a significant portion of the Project workforce during the summer period. Given the pandemic's impacts on worker retention and demand for skilled labour, UCT 2 and the EPC Contractor also discussed the adverse impacts of de-mobilization and the ability to retain the skilled workforce during such a period, including the costs of replacing workers who leave the Project. The contract also included crew standby rates. Based on these rates, had the crews not been remobilized to other available areas of the project, the additional standby costs would have also been incurred in the range of \$23 million.

- c) The mobilization of crews to the eastern workfront (unaffected by the fire shutdown) was executed to maintain the Project schedule and avoid the costs and risks to workforce retention described in subpart (b) of this response.

OEB STAFF INTERROGATORY- 32

Reference:

1. 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.

Interrogatory:

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

Response:

- a) Two key factors drove the decision to place equipment crews on standby status. First, because certain equipment was stranded in the restricted fire zone, not all equipment could be demobilized to the east side of the Project. Second, the available work areas on the east side of the Project were somewhat restricted, and the Contractor was already trying to utilize as many Project resources as possible in that area. Deploying additional equipment would have contributed congestion to the east side of the Project, which in turn could have increased productivity losses. Based on these considerations, the following equipment was placed on standby.

Equipment Title	FA Rate (Standby)	Fire Restriction in Effect Day	Fire Restriction Lifted	Days on Standby	Hours Per Day	Standby Cost
JD 644K 4WD Wheel loader						\$12,127.50
2014 JD 644K Wheel Loader						\$12,127.50
2014 JD 650K Crawler Dozer						\$29,023.50
2012 John Deere 290G Exc.						\$28,587.90
Caterpillar 336EL						\$28,587.90
Caterpillar 336EL						\$28,587.90
Hydraulic Excavator						\$28,587.90
Boom 135' Telescopic With JIB		7/19/2021	8/18/2021	30.00	11.00	\$14,883.00
Boom 135' Telescopic With JIB						\$14,883.00
Boom 135' Telescopic With JIB						\$14,883.00
Boom 135' Telescopic With JIB						\$14,883.00
JD 544 loader and grapple						\$12,127.50
John Deere 750k Dozer						\$29,023.50
Forklift Variable Reach 12000#						\$14,883.00
Boom 84-86' Telescopic 4WD						\$14,883.00
						\$298,079.10

The EPC Contractor also incurred additional supervisor time due to the fires. The Order suspending work resulted in the Contractor's team having to re-plan resources in response to the Order, which resulted in using smaller crews spread out along the east side of the Project working in a piecemeal manner. The loss of contiguous and uninterrupted stretches of workfront meant that supervision could not be allocated as efficiently as originally planned. Specifically, the EPC Contractor determined the need for two additional right-of-way supervisors, two additional foundation supervisors, two additional assembly supervisors, two additional erection supervisors, and two additional stringing supervisors. A summary of the added costs is included below:

Crew Supervisors	Added Man-Months	Force Account Labour Rates (monthly)	Force Account Pickup Rates (monthly)	Flight Costs (monthly)	Totals
Right-of-Way Supervision	13				\$727,929.58
Foundations Supervision	4				\$241,844.53
Assembly Supervision	4				\$241,844.53
Erection Supervision	4				\$241,844.53
Stringing Supervision	4				\$241,844.53
Totals	29				\$1,695,307.72

OEB STAFF INTERROGATORY- 33

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The cost components comprising the \$20,809,264 figure are set forth in Table Ex.D.2 and pages 3-12 of the Application. The referenced Table D.6 describes only one such component – incremental all-season access road costs due to wildfires – and provides additional detail regarding the individual costs that comprise this \$10,504,333 cost category.

Attachment 1 to this response includes an Excel file that identifies every invoice submitted to Valard related to the wildfire costs (Exhibit 1-01-33 Attachment 1). Please refer to the Cover Page tab that categorizes all the forest fire-related costs, as well as supporting tabs that substantiate all portions of the \$20,809,264. Attachment 1 is entirely confidential. In

accordance with the Board's Practice Direction on Confidential Filings, only a non-confidential summary description of the document has been filed in the public domain.

- b) Yes. Attachment 2 to this response is the notice of event submitted by Valard (Exhibit I-01-33 Attachment 2). The daily and weekly meetings described in the response to Staff IR-8 were also held to discuss the impacts to the Project from the forest fires, including mitigations implemented by the EPC Contractor. UCT 2 had 11 full-time staff dedicated to working on site during the wildfires to monitor the EPC Contractor's execution during this event. The EPC Contractor also submitted monthly reports, which are attached to the response to Staff IR-8(c-f). The processes described in the response to Staff IR-8 (c-f) (Exhibit I-01-8(c-f)) regarding verification of the accuracy of the supporting documentation provided by the EPC Contractor to substantiate the incremental costs are also applicable to the wildfire costs.
- c) Please see the response to subpart (a) above. UCT 2 is seeking to recover the incremental CCVA costs due to wildfires that are identified in Table Ex.D.2. The \$10,504,333 reflects one of the cost components (all-season access road construction costs). The remaining \$10,344,931 reflects the incremental costs associated with mobilization costs, erection crew standby charges, equipment standby charges, direct activity supervision costs, fire mitigation costs, and camp cost. These costs are described in detail on pages 3-12 of Exhibit D, Tab 1.
- d) Please see the response provided to Staff IR-8 (c-f) (Exhibit I-01-08), which explains the communications and negotiation of Change Order costs between Valard and UCT 2. Please also refer to Attachment 1 (Exhibit I-01-33 Attachment 1) to this response.
- e) Please refer to Attachment 1 (Exhibit I-01-33 Attachment 1) to this response and the response provided to Staff IR-8(c-f) (Exhibit I-01-08).
- f) Please refer to the response in Staff IR-8(c-f) (Exhibit I-01-08).

OEB STAFF INTERROGATORY- 34

Reference:

1. 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.

Interrogatory:

- 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.

Response:

Please see Attachment 1 (Exhibit I-01-34 Attachment 1) to this response, which includes the requested July 27, 2020, MECP decision as well as the detailed project plan for the Kama Cliffs Conservation Region. Please also refer to the response to CCMBBC IR-14 (Exhibit I-03-14).

Attachment 1 contains redactions applied by the Ministry of Natural Resources and Forestry to protect the confidential location of bat habitats to prevent public interference at these sites. UCT 2 does not have an unredacted copy of this record and will be seeking to maintain these redactions in accordance with the Board's Practice Direction on Confidential Filings.

OEB STAFF INTERROGATORY- 35

Reference:

1. Exhibit D- Tab 1, page 18
2. 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.

Interrogatory:

- 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.

Response:

- a) Following Pic Mobert First Nation's identification of the cultural sensitivity of the White Lake Narrows region, UCT 2 and the EPC Contractor worked together to determine the most effective alternative that best balanced considerations of Project cost, Project schedule, and Pic Mobert First Nation's cultural and historical concerns. Due to the critical nature of this latter consideration, the only viable alternative identified was to re-route the Project corridor and remove structure E003 from the island. The re-route that was selected had the least-impact on the overall Project route, as it relates to ROW clearing, the relocation of adjacent structures, and new access developmenatt. No other design options were available to re-route the initial line design due to the large span of the water body crossing that was accounted for during the re-design process. Please see Attachment 1 (Exhibit I-01-35 Attachment 1) for details.

Attachment 1 is entirely confidential. In accordance with the Board's Practice Direction on Confidential Filings, only a non-confidential summary description of the document has been filed in the public domain.

- b) Extensive consultation was conducted with all First Nation communities whose territory would be impacted by the construction of the Project. While Pic Moberg First Nation participated in these discussions, it did not notify UCT 2 of the cultural sensitivity pertaining to the White Lake Narrows region during the consultative process, and in fact provided their approval on all construction permits, including Project route and structure location during the consultation process. As a result, UCT 2 could not have reasonably foreseen the interruption that occurred relating to the identification of cultural and historical resources in the White Lake Narrows region following the approval of the required Project permits.
- c) The additional mobilizations by work crew are summarized in the table below.

White Lake Narrows - Mobilizations & Demobilizations				
Crew	Schedule B2	Number of Crews	Number of Mobs*	Cost
	Mob/Demb Rate			
Micropile				\$472,000.00
Site Preparation				\$63,920.00
Blocking				\$33,760.00
Assembly				\$149,960.00
Tower Erection				\$626,360.00
Stringing				\$637,080.00
				\$1,983,080.00

**2nd mobilization due to restrictions associated with required winter work*

OEB STAFF INTERROGATORY- 36

Reference:

1. 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.

Interrogatory:

- 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.

Response:

(a-b) Below is a modified version of Table D.9 that presents the negotiated reduction by line item.

Description	Request	Negotiated Reduction	Settlement Amount
Conversion of Winter Access Roads to All-Season Access Roads	\$6,116,915	\$3,383,478	\$2,733,437
Double Construction of Access Roads	\$849,989	\$181,756	\$668,233
Water Crossings	\$767,705	\$440,071	\$327,634
Triple Access	\$1,289,774	\$0	\$1,289,774
Subcontractor T&M instead of Unit Rates	\$3,929,355	\$393,751	\$3,916,697
Maintenance Costs	\$2,262,047	\$2,262,047	\$1,197,247
Bridge Rental Duration Increase	\$716,571	\$716,571	\$0
Increased, Extended Indirect & Mgmt. Costs	\$2,556,854	\$2,556,854	\$0
Subtotal	\$18,489,210	\$9,934,528	\$10,133,021
Total with Markups	\$21,900,469	\$11,767,448	\$10,133,021

- c) Please see Attachment 1 (Exhibit I-01-36 Attachment 1) for details on EPC Contractor's cost claims. Attachment 1 is entirely confidential. In accordance with the Board's Practice Direction on

Confidential Filings, only a non-confidential summary description of the document has been filed in the public domain. Please also refer to the response to Staff-8 (c-f) (Exhibit I-01-08), which includes descriptions and attachments detailing the analysis UCT 2 undertook to review the EPC Contractor's cost claims.

OEB STAFF INTERROGATORY- 37

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The permitting approvals as it pertains to this category were jointly sought by UCT 2 and the EPC Contractor.
- b) Please refer to UCT 2's Response to CME IR-4 (Exhibit I-4-4).
- c) Please refer to UCT 2's Response to CME IR-4 (Exhibit I-4-4). The permitting issues referenced in the Preamble to this question concerned the Ministry of Natural Resources and Forestry ("MNRF") delays in issuing multiple work permits to commence construction across

Work Fronts 5 and 10. The delays resulted in winter road access (as originally planned) not being available and the EPC Contractor having to revise this form of access by construction of all season roads. That outcome occurred because of the timing of the permitting and the season in which the permits were eventually issued.

- d) No, Valard did not provide a notice of a force majeure event.
- e) First, please refer to Attachment 1 to this response (Exhibit I-1-37 Attachment 1), which is an Excel file that provides detailed support of all costs associated with the construction of all-season roads.

Second, please refer to Attachment 2 to this response (Exhibit I-1-37 Attachment 2). This document was provided by the EPC Contractor and lays out the original construction sequence schedule on the workfronts compared to the changes in right-of-way road construction. The EPC Contractor originally sought cost recovery for the conversion of winter access roads to all-season access roads within workfronts 5, 10 and 11. As part of UCT 2 negotiations with the EPC Contractor, the claimed added costs in workfronts 10 and 11 were eliminated. This left only the workfront 5 access roads in question. The decision to convert to all-season access at workfront 5 was made as part of the field-level planning between the EPC Contractor and UCT 2 and was based on schedule forecasts that were updated during the course of construction. These forecasts are attached to this response as Attachment 1 (Exhibit I-01-37 Attachment 1). Workfront 5 was originally planned to be constructed entirely in the winter work season of 2020 / 2021. Due to the impacts experienced, a significant portion of the planned work in workfront 5 remained incomplete as of the spring of 2021. After considering the remaining work to be completed in other areas of the Project during the final winter work season, the EPC Contractor and UCT 2 determined that it was necessary to convert to all-season access within workfront 5. This decision allowed the EPC Contractor to make progress in the area prior to the winter work season of 2021 / 2022. This approach also ensured completion of the workfront 5 construction by the March 2022 substantial completion date and avoided the potential for an additional one-year delay, which would violate the IESO in-service date. In other words, if the work had remained limited to winter only, and had not been completed in the winter of 2021 / 2022, overall Project completion would have been delayed to the 2022 / 2023 winter work season.

- f) The re-sequencing of construction activities was required to maintain schedule following the initial Project delay period that resulted from the delayed issuance of critical construction permits. The EPC Contractor's initial execution plans contemplated winter access construction in workfronts 1 and 5, which is significantly more cost effective from a material and labour standpoint. For example, constructing all-season access requires the installation of bridges and culverts at water crossing locations, while winter access methods enable the EPC Contractor to utilize snow fill bridges, which require no material rental or aggregate costs to construct. Reclamation of all-season access roads involves the removal of all foreign materials, re-grading and shaping of water crossing shores, and the decompaction/remediation of ruts resulting from vehicle traffic. In contrast, winter access requires very little restoration once snow has melted. As explained in subpart (e) of this response, and detailed Attachment 1 to this response, additional costs were incurred and

necessary to meet the Project schedule and ensure the Project could be commissioned no later than the IESO's deadline.

OEB STAFF INTERROGATORY- 38

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Please refer to Staff IR 37, Attachment 1 (Exhibit I-1-37 Attachment 1), which provides the breakdown of the original budgeted costs in Work Front 1 and the additional costs incurred. Tab 1 of this Attachment provides the full details of Work Front 1. The EPC Contractor's original budget contemplated \$4,163,393 to construct access roads in work front 1. The actual costs incurred to perform this activity amounted to \$8,080,090. This resulted in a total incremental cost of \$3,916,697.
- b) A total of \$668,233 was paid for double construction of access roads. The requested breakdown by work front is provided below:
 - Work Front 1: \$251,825
 - Work Front 2: \$85,703
 - Work Front 5: \$42,829
 - Work Front 7: \$287,876

- c) As explained in the response to CME IR-4 (Exhibit I-04-04), the costs associated with the permitting delays and right-of-way concerns were not reasonably foreseeable. The incremental costs identified in subpart (a) of this response related to the construction of these winter access roads, which are a subcategory of the permitting delays/right-of-way costs (see Application, Table Ex.D.9), and therefore these incremental costs are a direct result of, and caused by, the delay in obtaining critical permits at the beginning of the Project. While the winter weather conditions were foreseeable, the delay in obtaining the critical permits that would have allowed all-season road construction to commence could not have been reasonably anticipated in advance. This permitting delay resulted in the EPC Contractor not having sufficient time to establish the base required to construct viable all-season access roads that could have been maintained and utilized throughout the winter season of 2021/22. To mitigate schedule impacts and continue linear construction, the EPC Contractor proceeded with constructing winter access roads in workfronts 1 and 5, which allowed the winter construction program to advance as planned. This was instrumental in meeting the Project completion date of March 31, 2022.
- d) No.

OEB STAFF INTERROGATORY- 39

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Please refer to the response provided to Staff IR-37(a) (Exhibit I-01-37).
- b) Please refer to UCT 2's response to Staff IR-37(b) (Exhibit I-01-37).
- c) The response to Staff IR-37(c) (Exhibit I-01-37) explains why the costs associated with the permitting delays and right-of-way concerns were not reasonably foreseeable. The referenced costs relate to the triple access to work front 6, which are a subcategory of the permitting delays/right-of-way costs (see Application, Table Ex.D.9), and therefore a direct result of, and caused by, the delay in obtaining critical permits at the beginning of the Project.
- d) No.

OEB STAFF INTERROGATORY- 40

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Please refer to the response provided to Staff IR-37(a) (Exhibit I-01-37).
- b) Please refer to UCT 2's response to Staff IR-37(b) (Exhibit I-01-37).
- c) The response to Staff IR-37(c) (Exhibit I-01-37) explains why the specific incremental costs associated with permitting delays and right-of-way concerns were not reasonably foreseeable. The referenced incremental subcontractor time and material payments of unit rate costs are a subcategory of these costs (see Exhibit D-1, Table Ex.D.9), and therefore a direct result of, and caused by, the delay in obtaining critical permits at the beginning of the Project.
- d) No.

- e) The “overlapping nature of the impacts” refers to the subcontractors’ inability to work in a linear manner as well as the time of year that this delay occurred. The delay impeded the contractor’s ability to establish all-season access roads prior to the winter season, resulting in additional construction costs. Specifically, a winter access road was first constructed to ensure that the Project could continue to proceed through the 2019/2020 winter season but was subsequently converted into all-season access in spring of 2020 to allow work to be performed in the summer months of 2020, as was initially contemplated.

Regarding the conversion from quantity basis to daily time and material payment basis, the EPC Contractor was unable to negotiate unit pricing with two civil contractors because the delays in obtaining Project permits impacted the civil contractor’s ability to work in a linear fashion. Unit-based pricing is a fair and reasonable method of billing for completed work when the contractor has the ability to complete the scope of work without interference or multiple mobilizations caused by other parties. Because the delay in obtaining permitting in the fall of 2019 directly impeded the ability to work in a linear manner and caused permits to be received in a piecemeal fashion, the resulting uncertainty precluded use of unit-based pricing and led to time and material payments.

OEB STAFF INTERROGATORY- 41

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) As explained in the response to Staff IR-37(c) (Exhibit I-01-37), the costs associated with the permitting delays and right-of-way concerns were not reasonably foreseeable. The referenced incremental maintenance costs are a subcategory of these costs (see Exhibit D-1, Table Ex.D.9), and therefore a direct result of, and caused by, the delay in obtaining critical permits at the beginning of the Project. These particular incremental maintenance costs related to the extended duration that many of the access roads remained open in order to allow construction activities to continue, as well as the associated maintenance costs that were subsequently incurred to keep these roads open throughout the winter.
- b) No.

OEB STAFF INTERROGATORY- 42

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) As detailed in the response to Staff IR 36 (Exhibit I-01-36), the referenced \$2,556,854 was the amount claimed by the EPC Contractor related to increased extended indirect & management costs. UCT 2 rejected this cost claim in its entirety under the settlement reached with the Contractor. As a result, this amount is not included in the Applied-For Costs in the Application.
- b) No.

OEB STAFF INTERROGATORY- 43

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) Yes. UCT 2 did accept some incremental costs related to permitting delays & ROW concerns. The negotiated reductions to the Contractor's ROW claim are shown in UCT 2's response to Staff IR-36 (Exhibit I-1-36). Based on these reductions, incremental costs were paid for workfronts 1 to 7. UCT 2 accepted these added costs because its review indicated that the EPC Contractor had established the prudence and reasonableness of the costs. Summarized below are the added costs ultimately paid by UCT 2, with explanations of the causal factors considered.

- **Conversion of Winter Access Roads to All-Season Access Roads (\$2,733,437):** Payments were made for added work at workfront 5 only. Explanation of causal factors and UCT's cost review are provided in UCT 2's response to Staff IR-37(e) (Exhibit I-1-37(e)).

- **Double Construction of Access Roads (\$668,233):** While access roads were originally included in the budget, they had been planned to be installed as all-season roads, which was based on the assumption that construction would commence in the August/September 2019 timeframe. As 2019 fall season construction could not proceed due to permitting delays, certain roads planned to be constructed in this period were delayed and installed during the winter of 2019-2020. These roads were located in workfronts 1, 2, 5, and 7.

All-season roads could not be built cost-effectively in winter because the construction requires significantly more effort in establishing the subgrade and constant clearing of snow. To maintain crew workflow and avoid substantial additional cost impacts, the roads were built initially for winter access. Because winter access roads are limited to winter use, these roads were later re-built as all-season roads because road access was required in subsequent summer and winter months. This resulted in double construction of certain access roads.

- **Water Crossings (\$327,634):** Payments were made to the EPC Contractor for added work at workfront 5 only. Winter water crossings ("snowfills") are much more cost-effective than all-season crossings. However, as outlined in UCT 2's response to Staff IR-37(e) (Exhibit I-1-37(e)), planned winter-only work shifted to all-season, thus resulting in increased costs associated with water crossings. More specifically, planned snowfills were replaced with culverts, bridges, and rig mats, all of which are significantly more costly.
- **Triple Access (\$1,289,774):** Payments were made to the EPC Contractor for added work at workfront 6 and a small portion of workfront 7. The initial plan allowed the EPC Contractor to construct primarily in one winter season, with only a small amount of access for stringing in a second winter season in these workfronts. However, the seasonal restrictions imposed by MECP in workfront 6 did not allow construction from May 1st through September 14th of each year, which severely limited the workable timeframe. The combination of the seasonal restrictions, the initial work start delays, and the ongoing productivity losses from COVID-19 resulted in the the work being performed over three winter seasons.
- **Subcontractor Time & Material Payments (\$3,916,697):** Payments were made to the EPC Contractor for added work at workfront 1. Due to the initial delays, the workfront was released in a piecemeal manner. The EPC Contractor's right-of-way subcontractor in workfront 1 indicated that they would not proceed based on their original subcontract unit rates, which assumed unimpacted and continuous linear operations. Given the circumstances, the subcontractor would only proceed on a time and materials basis. While this resulted in additional costs for the time and material work, it allowed construction to proceed and avoided significant additional costs associated with impacts to the follow-on crews.

- **Maintenance Costs (\$1,197,247):** Payments were made to the EPC Contractor for added work at all workfronts. The alteration to the Project schedule resulted in roads remaining open longer than initially planned. As a result, the Contractor sought compensation for the expanded maintenance scope.
- b) Please refer to the response to Staff IR-8(c-f) for a description of the methodology that UCT 2 employed to scrutinize all Valard cost claims. The COVID-19 construction costs were not reduced as a result of the rejection of certain claimed ROW costs. Please refer to the response to subpart (c) below for further explanation.
- c) Most of the work included in this cost category was performed by subcontractors and/or third-party vendors who provided both labor and materials to the project. The *productivity analysis* prepared by Socotec to quantify the added COVID-19 construction costs was based on labour-related losses. Because subcontractor and third-party labor and material costs could not be segregated, Socotec recognized a potential for overstatement (i.e., erroneously applying the productivity loss factor to material costs). Accordingly, the *productivity analysis* prepared by Socotec excluded subcontractor and third-party costs.

COVID-19 subcontractor and third-party impact costs were addressed separately in the COVID-19 *direct cost claim*. UCT 2 applied the same level and scrutiny to COVID-19 *direct cost claims* that it applied to the permitting delay and ROW delay cost claims. UCT 2's review of the COVID-19 *direct cost claims* included verification that the rejected ROW claim amounts were excluded. The Valard costs that were rejected in the claimed ROW costs (primarily indirect support related costs) were denied on the basis that UCT 2 considered the subject scope to be part of the EPC Contractor's original work requirements. However, because UCT 2 also recognized that these elements of work were impacted by the COVID-19 pandemic, there was no justification to implement some type of corresponding adjustment to the COVID-19 productivity loss calculations.

OEB STAFF INTERROGATORY- 44

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The costs reflected in Scope Change Order Nos. 1 through 5 are recovered through UCT 2's approved rate base approved as part of its first rate case in proceeding, EB-2020-0150. The approved construction budget included funds for contingencies such as Scope Change Order 1 through 5. UCT 2's quarterly reports to the OEB also included information regarding shifts in the contingency budget. As such, Scope Change Order Nos.1 through 5 amounts are not part of the Applied-For Costs sought in this Application.
- b) The relief sought in this Application only relates to Scope Change Orders Nos. 6 and 7. Please refer to UCT 2's Response to Staff IR-8(c-f) (Exhibit I-01-8(c-f)).
- c) Please refer to the response provided in IR-Staff-8(c-f) for details on costs rejected by UCT 2.

OEB STAFF INTERROGATORY- 45

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- a) The parties' negotiations started at the \$247.8 million amount level, which was \$8 million lower than the ultimate total cost overruns of \$255.5 million claimed by the EPC Contractor (Valard).

“This is because the parties agreed to resolve all outstanding Valard cost claims seven months prior to the in-service date, which had the benefit of excluding approximately \$8 million of incremental costs.” In other words, because the parties settled on a final amount before construction activities (and their associated costs) were completed, Valard had to absorb whatever costs were incurred after the settlement date and through the in-service date, which amounted to \$8 million. Please refer to Exhibit E, Tab 1, page 10, paragraph 24.

- b) Valard Construction LP is a wholly owned subsidiary of Quanta Services Inc. Because Valard’s cost claims were not settled and paid until after the Negotiated Outcome, Valard was cash negative throughout the construction period. This financing deficit was addressed through internal lending facilities between Quanta and Valard. The carrying costs from Quanta accordingly relate to this internal lending structure and its related financing costs. These costs are not included in UCT 2’s Applied-For Costs identified in the Application.
- c) The four remaining rejected categories of “EPC Claimed Costs” were tracked and treated independently from the cost categories included in the approved change orders, and therefore, were not included in the EPC Claimed Costs that were paid through Change Order Nos. 6 and 7. The remaining four cost categories were rejected based on UCT 2’s analyses and conclusions that the claims were identified to be the sole responsibility of the EPC Contractor. Please refer to UCT 2’s Response to Interrogatory Staff-8(c-f) (Exhibit I-01-08) for a discussion regarding UCT 2’s cost claim review process that supported UCT 2’s conclusions.

Because UCT 2 rejected these claims, there was no reason for UCT 2 to undertake a detailed review process that would otherwise have been required to include such excluded costs as part of the UCT 2 approved change orders. Determinations as to whether any of the excluded costs would have been applicable to other cost categories was unnecessary.

- d) Please see part (c) above. None of the amounts comprising the excluded cost categories was included in the six cost areas. The six cost areas are separate from, and do not overlap, the excluded cost categories.
- e) As explained in subpart (c) above, UCT 2 determined that the referenced claims were the sole responsibility of the EPC Contractor based on the EPC Contract’s allocation of risk.
- f) Footnote 3 is only applicable to the column entitled “Applied-For Costs from Negotiated Outcome.”
- g) The incremental monitoring and consultation costs referenced in footnote 3 to Table Ex.E.1 reflect the payment to BZA. These costs are included in the Applied-For Amount related to ROW Delays. For a description of these costs, please refer to UCT 2’s Response to AMPCO IR-8 (Exhibit I-02-08).

OEB STAFF INTERROGATORY- 46

Reference:

1. Exhibit E- Tab 1, page 12, Table E.1
2. 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.

Interrogatory:

- 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.

Response:

(a– c)

As explained in UCT's Response to Staff IR 45(a) (Exhibit I-01-45), commercial negotiations started at the \$247.8 million amount, which was approximately \$8 million lower than the ultimate \$255.5 million total cost overruns claimed by Valard. "This is because the parties agreed to resolve all outstanding Valard cost claims seven months prior to the in-service date, which had the benefit of excluding approximately \$8 million of incremental costs." Application Exhibit E, Tab 1, page 10, paragraph 24. In other words, because the parties settled on a final amount long before construction activities (and their associated costs) were completed, Valard had to absorb whatever costs were incurred after the settlement date and through the in-service date, which amounted to \$8 million.

From the \$247.8 million starting point, UCT 2 then analyzed the EPC Claimed Costs identified in Table Ex.E.1. As explained in UCT 2's response to subparts (b) and (c) of Staff IR-45 (Exhibit I-01-45), UCT 2 rejected five categories of EPC Claimed Costs based on UCT 2's understanding of the EPC Contract and the Contract's allocation of risk for these cost categories to the EPC Contractor. As a result of this analysis, UCT 2 would only agree to a payment of \$158,211,230 on behalf of the partnership, which is the amount reflected in Change Order Nos. 6 and 7 and claimed for recovery in this proceeding.

Because this payment amount was approximately \$95 million less than Valard's total claimed costs, the parties further reached a "Negotiated Outcome" – sharing the \$95 million difference that remained following UCT 2's \$158,211,230 payment (\$42.8 million to Valard parent, Quanta, and 44.6 million to the NextEra-related parent of UCT 2 (i.e., of partner NextEra Energy NextBridge Holding ULC)). Because neither UCT 2 nor any of its partners accepted the \$44.6 million amount, it is not included in the Applied-For Costs in the Application. However, the parent entities agreed to settle at the larger Negotiated Outcome figure out of fairness and in recognition of the extreme hardships endured by the parties due to unprecedented unforeseeable natural disasters, a worldwide pandemic and associated worksite restrictions imposed by federal, provincial, and local authorities, and other governmental actions. The commercial concessions made by each of the parent entities also recognized the significant level of business carried out between the organizations and the desire to maintain and foster the goodwill achieved from their longstanding and ongoing business relationships. Under these circumstances, these concessions were reached orally and were not reduced to a formal written agreement.

UCT 2's election to limit recovery from ratepayers to a total of only \$160,388,935 was based on its thorough review and analysis of all claimed costs (see UCT 2's Response to Staff IR-8, Exhibit I-01-08)) and its determination that this was the most equitable result in these circumstances. The proposal balances the initial expectations formed during the Leave to Construct proceeding that this Project should proceed in a very predictable and certain manner with the ensuing reality that the Project experienced the misfortune of being constructed almost exclusively during an unprecedented worldwide pandemic that shut down the Province on numerous occasions, required implementation of extensive health and safety measures, and resulted in cumulative impacts associated with supply chain disruptions, regulatory approval delays, and natural disasters. Due to the substantial concessions of the parent companies, UCT 2 and its partners were able to avoid nearly \$95 million in costs that they would otherwise have disputed through formal dispute resolution processes and litigation or sought to recover in rates. The decisions made to not seek recovery of these costs, which were tantamount to a self-imposed disallowance, reflect the unique circumstances regarding COVID impacts and were intended to provide a real and material cost reduction benefit to ratepayers.

OEB STAFF INTERROGATORY- 47

Reference:

1. Exhibit F- Tab 1, page 1
2. EB-2020-0150
3. 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%.

Interrogatory:

- 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.

Response:

- a) BLP ultimately negotiated a 3.506% equity percentage for its initial equity stake in UCT 2, with a path to achieve 20% in additional tranches. To ensure that BLP retained the ability to buy up to a 20% equity interest as originally contemplated, the parties renegotiated the partnership agreements to extend the time for BLP to buy in to its full equity interest and allowed for BLP to do so in multiple tranches. UCT 2 has worked closely with BLP to accommodate current economic realities while preserving BLP's ability to take full advantage of the Project's economic benefits and opportunities over time through increased optionality and flexibility under the renegotiated partnership agreements.
- b) Please refer to UCT 2's Response to Staff IR 1-1(a) (Exhibit I-01-01). Under the agreed-to changes to the Partnership Agreement, BLP may progressively increase its ownership interest at its discretion and as it arranges third-party financing to do so. However, there are no changes to Project governance as successive tranches of equity are purchased.
 - (i) The key economic benefits delivered by the Project to BLP are the sharing in the net profits of the Project through partner cash distributions in direct proportion to BLP's percentage of ownership. UCT 2's expectation is that BLP will remain a full partner and grow its equity percentage in accordance with the partnership agreements. Additional economic benefits accrue to BLP through its ownership of Supercom, which provided services throughout the construction and reclamation of the Project, earning a 3% mark up for First Nations consultation and participation.
- c) UCT 2 engaged with the Indigenous communities, and specifically with BLP, during Project development and continuing throughout construction and post-COD to ensure that Indigenous communities impacted by the Project had the opportunity for long-term economic participation in the Project. These consultations and negotiations did in fact influence the terms of the equity buy-in. The original implementation agreement executed with BLP in 2017 during the Leave to Construct (LTC) application timeframe had contemplated a 20% equity buy-in at COD. However, as discussed in subpart (a) of this response, and in the response to Staff IR-01-01 (Exhibit I-01-01), BLP did not secure sufficient third-party financing to obtain the full 20% equity interest at COD. Further consultations and negotiations to accommodate the economic reality at the time, and to provide partner financing at a preferential rate to BLP, resulted in the May 2, 2023, partnership agreements to effect the initial buy-in of BLP and establish the terms for BLP to buy in up to 20%. Additionally, UCT 2 engaged with the Metis Nation of Ontario and other potentially impacted First Nation communities such as BZA, throughout Project development and construction.

UCT 2 met with BLP quarterly during construction and made written reports monthly via joint participation in the *Partnership Advisory Committee (PAC)* to ensure full consultation and communication of the Project status and impacts on communities. Typical agendas and issues discussed included: partnership and regulatory matters, environmental issues and Project approvals, Project cost updates, and construction updates.

- d) The delay in debt financing did not impact the Project's financial viability.
- e) The effective 3.506% BLP equity percentage did not impact the debt financing outcome. The same terms (rate and term, etc.) would have been secured regardless of whether BLP had had a higher equity percentage at the time of financing. Furthermore, BLP can increase its ownership per the terms of the partnership agreements up to its full 20% without affecting the current debt that has been placed. By ensuring the partnership agreements were in executable form at the time of the debt placement, UCT 2 ensured that the debt financing would not be impacted even if BLP's ownership changes as it buys more equity (e.g., the financing agreements will not need to be renegotiated with lenders).
 - i) The lenders' perception of risk was not impacted by the determination of BLP's equity stake. The bond market and lenders rely on the DBRS¹ credit rating agency report, which focuses on the credit of the Project as opposed to the individual partners who own the project. Because the lenders have a requirement to "Know their Client," it was important that the details of the partnership agreement be solidified before closing on the financing. The debt placement had a strong rating, rated A (low) by DBRS.
- f) As discussed in the preceding subparts of this response, BLP has the right to acquire up to 20% and may do so in multiple tranches. If BLP decides to acquire additional equity in the partnership, there will be no impact on future debt financing strategies, as the terms of the buy-in are detailed in the partnership agreements that were executed concurrent with the debt placement that took place on May 1, 2023. The next placement of debt to finance the additional rate base (that is the subject of the Application) is expected to utilize the same lenders, due diligence, and marketing materials that secured the initial financing.

¹ DBRS Morningstar is a global credit rating agency, headquartered in Toronto, Ontario.

OEB STAFF INTERROGATORY- 48

Reference:

1. 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.

Interrogatory:

- 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.

Response:

- (a) UCT 2's debt issuance costs were \$5,462,938. These costs are not being sought for recovery as part of the revenue requirement in this Application.
 - i) UTC 2 proposes including debt issuance costs in the requested DRVA 2 account. The amount to be recorded in this account would annually be 1/30th of total, starting from the date of issuance. As part of the next Custom IR rebasing, the DRVA 2 account balance would be brought forward for approval/disposition and the remaining unamortized debt issuance costs would be included in the applied for cost of financing in that proceeding.
- (b) Please see response in Staff IR-15(c) (Exhibit I-01-15(c)).

OEB STAFF INTERROGATORY- 49

Reference:

1. Exhibit F- Tab 1, pages 5 and 6, Table Ex F.1 and Table Ex F.2

Interrogatory:

- 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.

Response:

- a) The long-term debt amount of \$431,439,693 and short-term debt of \$30,817,121 are based on rate base of \$770.4 M and capital structure of 56% long term debt, 4% short term debt, and 40% equity approved in EB-2020-0150 and detailed in the Draft Rate Order dated July 21, 2021, on page 4, Table 1d. The Calculation is illustrated in the table below.

Capital Structure	%	Rate Base (\$M)
Long-term debt	56%	431.4
Short-term debt	4%	30.8
Common equity	40%	308.2
Total	100%	770.4

- b) Please refer to Staff IR-15 Attachment 1 (Exhibit I-01-15 Attachment 2) supporting the long-term debt cost rate.

See Attachment 1 (Exhibit I-01-49 Attachment 1) supporting the short-term debt rate.

- c) The long-term debt rate secured at issuance was 12-16bps better than the Indicative New Issue Yield market and was within 19-23bps when compared to Corporate Bond Yield and

OEB LTD Methodology. The short-term variable rate secured at the time of issuance was within 36bps of market.

	May 2023	Actual
Indicative New Issue Yield		
10yr: GOC+170-175, Indicative New Issue Yield ¹	4.78 - 4.83%	4.86%
25yr: GOC+185-190, Indicative New Issue Yield ¹	5.08 - 5.13%	
30yr: GOC+190-195, Indicative New Issue Yield ¹	5.06 - 5.11%	
Long-Term Debt Rate - Indicative New Issue Yield	4.98 - 5.02%	
OEB LTD Methodology		
30-Year Gov't Canada Bond Yield ²	3.11%	4.86%
30-Year Gov't Canada Bond / A-Rated Utility (Bloomberg) spread ³	1.53%	
A-Rated Utility (Bloomberg) spread ³		
Long-Term Debt Rate OEB LTD Methodology	4.63%	
Corporate Bond Yield		
Moody's Seasoned Aaa Corporate Bond Yield ⁴	4.67%	4.86%
OEB STD Methodology		
Average Bankers' Acceptance Rate ⁵	4.79%	4.95%
Average Annual Spread ³	1.00%	1.20%
Short-Term Debt Rate	5.79%	6.15%

¹ Source: April 18 Indicative New Issue Pricing Report from TD Securities

² Source: Bank of Canada

³ Source: OEB Cost of Capital Parameter letter, October 20, 2022

⁴ Source: FRED economic data

⁵ Source: IIROC economic data

- d) Long-term and short-term debt rates were lower in late 2021 and early 2022 as compared to market rates in May 2023 when UCT 2 secured the debt. This is illustrated in the table below:

	Dec 2021	Mar 2022	May 2023
OEB LTD Methodology			
30-Year Gov't Canada Bond Yield ¹	1.760%	2.310%	3.109%
30-Year Gov't Canada Bond / A-Rated Utility (Bloomberg) spread ²	1.653%	1.653%	1.525%
Long-Term Debt Rate	3.413%	3.963%	4.634%
Corporate Bond Yield			
Moody's Seasoned Aaa Corporate Bond Yield ³	2.65%	3.43%	4.67%
OEB STD Methodology			
Average Bankers' Acceptance Rate ⁴	0.270%	0.876%	4.789%
Average Annual Spread ³	0.950%	0.950%	1.000%
Short-Term Debt Rate	1.220%	1.826%	5.789%

¹ Source: Bank of Canada

² Source: Most recent OEB Cost of Capital Parameter letter for each period

³ Source: FRED economic data

⁴ Source: IIROC economic data

OEB STAFF INTERROGATORY- 50

Reference:

1. Exhibit F- Tab 1, page 7
2. 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.

Interrogatory:

- 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.

Response:

- a) UCT 2's request for a DRVA 2 Account meets the OEB's criteria for establishing a new deferral account as follows:

Causation: The amounts to be recorded in the DRVA 2 account are not in the current approved revenue requirement, nor are they in the revenue requirement associated with the incremental capital requested in the Application for COVID and CCVA. The amounts will only be known when the new debt is secured, which could be at a rate higher or lower than is being sought in the Application (i.e., outside of the base on which current or requested rates are derived).

Materiality: UCT 2's approved revenue requirement effective January 1, 2024, is \$54,921,609 (per EB-2023-0298 Decision and Order, December 12, 2023). The materiality threshold for transmitters with revenue requirement greater than \$10 million and less than or equal to \$200 million is 0.5% of revenue requirement. This results in a calculated materiality threshold of \$274,608 (= \$54,921,609 x .005) for UCT 2. This amount is rounded to \$275,000 for reference purposes.

A difference in the Long-Term debt rate of 0.5% will have an impact on the cost of debt of \$439,696 per year (based on Rate Base values in Table Ex. C.13, and Table Ex.D.18). Assuming that financing will be in place by the end of 2024 and given that there will then be three years remaining in the Custom IR period, the amount recorded in this account would be \$1,319,088(= \$439,696 x 3), plus interest at the OEB prescribed rate. This is greater than the materiality threshold.

Prudence: Long-Term and Short-Term Debt and associated rate(s) will be secured through a competitive market process. The process will be managed through the NextEra Treasury Department, which has expertise in successfully raising capital and negotiating interest rates. It is expected that the process will be similar to that followed in securing the initial round of financing for UCT 2, which is described in the response to Staff IR -15(c) (Exhibit I-01-15). Once the debt is secured, UCT 2 will calculate the interest rate differential between the rate(s) approved in the Application and the rate(s) on the new debt. These differential rates will then be used to calculate the Dr. or Cr. Balance to be recorded in the DRVA 2 account monthly. As part of the Reporting and Recordkeeping Reporting process, the audited balance in the DRVA 2 account will be reported the OEB on an annual basis.

OEB STAFF INTERROGATORY- 51

Reference:

1. 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.

Interrogatory:

- 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?

Response:

- a) UTC 2 is planning to dispose of the proposed DRVA 2 account balance based on audited information as part of its next Custom IR application.

OEB STAFF INTERROGATORY- 52

Reference:

1. EB-2017-0182
2. EB-2020-0150

Interrogatory:

- 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.

Response:

- a) The requested quarterly reports filed in accordance with UCT 2's Electricity Transmission License Conditions (and as part of the EB-2017-0182 record) are attached together with related materials:
 - i) Exhibit I Tab 1 Schedule 52 Attachment 1 includes 2019 Reports and responses provided to Staff's follow-up comments and questions to the Reports. Responses included treatment of budgeted contingency amounts, reallocation of budgeted costs, reformatting of Report content, and impacts of unforeseen construction cost risks.
 - ii) Exhibit I Tab 1 Schedule 52 Attachment 2 includes the 2020 Reports and related Project in-service date change requests arising from COVID. Correspondence from the IESO in support of such changes is also included.
 - iii) Exhibit I Tab 1 Schedule 52 Attachment 3 includes the 2021 Reports as well as supplementary updates provided to the OEB concerning mandatory work stoppages and resulting impacts to the Project due to regional wildfire conditions.
 - iv) Exhibit I Tab 1 Schedule 52 Attachment 4 includes the 2022 Reports and directions issued by the OEB regarding additional filing requirements pertaining to the reporting of COVID and other previously identified unforeseen Project construction costs.

Bookmarks (found on the left-hand margin of the PDF document accessed by the bookmark icon) have been added to each of these files and may assist the reader to access specific documents.

Please note following clarifications regarding dates:

1. In the October 2021 report, the appendices are misdated as April 2021 (Exhibit I Tab 1 Schedule 52 Attachment 3, Pages 146-162).
2. In the January 2022 report, the Construction Schedule Update and Construction Cost Update are misdated as October 2021 (Exhibit I Tab 1 Schedule 52 Attachment 3, pages 183-193).
3. In the January 2022 report, the Risk Management update is misdated as "October 2021 report" (Exhibit I Tab 1 Schedule 52 Attachment 3, pages 194-201).
4. In the January 2022 report, the Reference Materials are misdated as April 2021 (Exhibit I Tab 1 Schedule 52 Attachment 3, pages 202-207).

5. In the July 2022 report, the Construction Schedule update is misdated as October 2021 (Exhibit I Tab 1 Schedule 52 Attachment 4, page 52).
 6. In the July 2022 report, the Construction Cost Update Part A and Part B are misdated as October 2021 (Exhibit I Tab 1 Schedule 52 Attachment4, page 53).
 7. In the July 2022 report, the Construction Cost Update Part C is misdated as April 2021 (Exhibit I Tab 1 Schedule 52 Attachment 4, page 54).
 8. In the October 2022 report the Construction Schedule Update and Construction Cost Overages are misdated as October 2021 (Exhibit I Tab 1 Schedule 52 Attachment 4, pages 62-72).
- b) Complete transcripts of the EB-2020-0150 proceeding are attached as Exhibit I Tab 1 Schedule 52 Attachment 5.

Transcripts for Days 4-7 of the EB-2017-0182 proceeding are attached as Exhibit I Tab 1 Schedule 52 Attachment 6.

Bookmarks have also been added to each of these PDF files for each day of the requested transcripts.

OEB STAFF INTERROGATORY- 53

Reference:

1. 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.

Interrogatory:

- 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.

Response:

The application of UCT 2's original budgeted contingency amounts has been the subject matter of ongoing reported information to the Board. For ease of reference, this response provides (i) a summary table of the contingency allocation and (ii) a chronology of the reporting of this information. Explanations regarding why the amounts were not accounted for in UCT 2's Project budget filed as part of its Leave to Construct application are set forth in the excerpts reproduced below, and also included in Exhibit I-01-52 Attachment 1, in response to Staff IR-52, in the collection of OEB reports and correspondence for 2019.

- (i) Summary Table –

The Table below provides the breakdown of the contingency as it was presented in the November 8, 2019, Progress OEB Quarterly Progress report.¹

¹ In the preceding August 30, 2019, report, UCT 2 reported the same allocation of 99.8% of the contingency. The OEB responded in a letter to UCT 2 on October 19, 2019, to ask that the information be presented in an updated table format, to which UCT2 responded, in its November 8, 2019, report.

Cost Categories for NextBridge's Construction Costs Reporting	Actuals Spent		Budget			Forecast Budget Variance			
	A Spent This Reporting Period \$	B Total Spent To Date \$	C Budget Per LTC Application \$	D=C-B Budget Remaining	E=D/C*100 Budget Remaining %	F Forecast Budget Change \$	G Forecast Budget Change %	H Revised Total Budget	Reasons For Change
Engineering & Construction	23,967,393	98,992,633	572,761,388	473,768,755	83%	41,505,901	7%	614,267,289	Revised based on in-service date
1 Engineering, Design and Procurement	2,043,625	7,234,610	19,342,245	12,107,635	63%	(10,808,892)	-56%	8,533,353	
2 Materials and Equipment	6,874,302	11,242,010	89,408,231	78,166,221	87%	(22,538,717)	-25%	66,869,514	
8 Site Clearing, Access	(13,828,058)	8,451,503	107,463,339	99,011,836	92%	33,828,145	31%	141,291,484	
9 Construction	28,877,524	72,064,511	356,547,573	284,483,062	80%	41,025,365	12%	397,572,938	
Environmental & Remediation Activities	2,238,277	10,860,690	26,929,260	16,068,570	60%	4,348,606	16%	31,277,866	Revised based on in-service date
3 Environmental and Regulatory Approvals	2,238,277	10,860,690	13,030,561	2,169,871	17%	5,894,505	45%	18,925,066	
10 Site Remediation	-	-	13,898,699	13,898,699	100%	(1,545,899)	-11%	12,352,800	
Indigenous Activities	1,594,089	10,335,240	20,211,000	9,875,760	49%	3,442,555	17%	23,653,555	Revised based on in-service date
5 Indigenous Economic Participation	469,237	4,744,344	7,000,000	2,255,656	32%	2,730,362	39%	9,730,362	
6 Indigenous Consultation	1,124,852	5,590,896	13,211,000	7,620,104	58%	712,193	5%	13,923,193	
4 Land Rights (excludes Aboriginal)	2,104,329	10,759,706	23,830,512	13,070,806	55%	-	0%	23,830,512	
7 Other Consultation	81,700	538,655	2,530,194	1,991,539	79%	-	0%	2,530,194	
11 Contingency	-	-	49,399,445	49,399,445	100%	(49,297,062)	-100%	102,383	Allocation of Contingency
12 Regulatory	298,670	3,013,692	5,405,078	2,391,386	44%	-	0%	5,405,078	
13 EWT Management	255,167	3,515,120	4,900,644	1,385,524	28%	-	0%	4,900,644	
Total Project Spend	30,539,626	138,015,735	705,967,521	567,951,786	80%	49,297,062	7%	705,967,521	
14 Interest During Construction (IDC) ¹	1,082,447	5,681,100	31,003,000	25,321,900	82%	-	0%	31,003,000	
Total Construction Costs^{2,3}	31,622,073	143,696,836	736,970,521	593,273,685	81%	49,297,062	7%	736,970,521	

The following table was presented in the Q4 2022 (final) Progress Report, showing the adjustments made to the remaining contingency amount:

Cost Categories for NextBridge's Construction Costs Reporting	Actuals Spent		Budget			Forecast Budget Variance			
	A Spent This Reporting Period \$	B Total Spent To Date \$	C Budget Per LTC Application \$	D=C-B Budget Remaining	E=D/C*100 Budget Remaining %	F Forecast Budget Change \$	G Forecast Budget Change %	H Revised Total Budget	Reasons For Change
Engineering & Construction	2,550,550	613,780,372	572,761,388	(41,018,984)	-7%	41,505,901	7%	614,267,289	Revised based on in-service date
1 Engineering, Design and Procurement	215,758	9,809,837	19,342,245	9,532,408	49%	(9,335,386)	-48%	10,006,859	
2 Materials and Equipment	(296)	68,630,749	89,408,231	20,777,482	23%	(20,739,013)	-23%	68,669,218	
8 Site Clearing, Access	2,281,121	137,026,370	107,463,339	(29,563,031)	-28%	29,769,412	28%	137,232,751	
9 Construction	53,968	398,313,415	356,547,573	(41,765,842)	-12%	41,810,888	12%	398,358,461	
Environmental & Remediation Activities	383,230	30,332,108	26,929,260	(3,402,848)	-13%	4,392,005	16%	31,321,265	Revised based on in-service date
3 Environmental and Regulatory Approvals	26,779	19,116,640	13,030,561	(6,086,079)	-47%	6,087,566	47%	19,118,127	
10 Site Remediation	356,451	11,215,469	13,898,699	2,683,230	19%	(1,695,561)	-12%	12,203,138	
Indigenous Activities	182,613	23,694,591	20,211,000	(3,483,591)	-17%	3,692,555	18%	23,903,555	Revised based on in-service date
5 Indigenous Economic Participation	239,040	10,060,786	7,000,000	(3,060,786)	-44%	3,080,452	44%	10,080,452	
6 Indigenous Consultation	(56,426)	13,633,805	13,211,000	(422,805)	-3%	612,103	5%	13,823,103	
4 Land Rights (excludes Aboriginal)	815,414	22,790,528	23,830,512	1,039,984	4%	(500,000)	-2%	23,330,512	
7 Other Consultation	26,100	1,631,940	2,530,194	898,254	36%	(816,000)	-32%	1,714,194	
11 Contingency	-	-	49,399,445	49,399,445	100%	(49,399,445)	-100%	-	Allocation of Contingency
12 Regulatory	(18,888)	5,552,053	5,405,078	(146,975)	-3%	166,000	3%	5,571,078	
13 EWT Management	45,984	5,694,111	4,900,644	(793,467)	-16%	900,000	18%	5,800,644	
Total Project Spend	3,985,004	703,475,702	705,967,521	2,491,819	0%	(58,984)	0%	705,908,537	
14 Interest During Construction (IDC)	-	31,289,208	31,003,000	(286,208)	-1%	286,208	1%	31,289,208	
Total Construction Costs ^{1 2 3 4}	3,985,004	734,764,910	736,970,521	2,205,611	0%	227,224	0%	737,197,745	

(ii) Chronology of Reporting –

In its initial Quarterly Report dated August 30, 2019, and for the period February 11, 2019, until June 30, 2019, UCT 2 reported the following at page 24:

“A. Project Cost Update Summary

Construction costs for the EWT Project are forecasted to be on budget when compared to the budget in the LTC application. While increases have been identified in certain budget areas, the use of the previously-budgeted value for Contingency allows for sufficient allocation of funds to address areas where budget increases were identified.

After the issuance of the LTC, NextBridge undertook a re-budgeting effort based on the in-service date change from Q4 2020 to Q4 2021. The re-budgeting effort incorporated the timing of Indigenous and stakeholder consultation, environmental studies, permits, approvals, and authorizations to support the new in-service date.

As a result of the re-budgeting effort, NextBridge identified that many of the cost breakdowns contained within the originally filed LTC application budget from July 31, 2017, could be more efficiently tracked during the construction phase of the Project. For example, Indigenous consultation and participation activities in communities were combined to better reflect the nature of engagement on a community-by-community basis, instead of by activity. The combination of categories is expected to provide increased clarity on the tracking of the forecasted costs.”

On October 19, 2019, Board Staff requested additional information from UCT 2 regarding this description.² Specifically:

Project Contingency and Cost Increases

OEB staff notes that NextBridge has already allocated 99.8% of its \$49 million contingency to cover projected cost increases in the following categories: Engineering & Construction, Environmental & Remediation Activities, and Indigenous Activities. This is of particular concern given that the First Progress Report identifies a number of risks that have the potential to increase costs if they materialize. The First Progress Report attributes most of the projected cost increase to a delay in the original 2020 in-service date to 2021. OEB staff does note that NextBridge’s evidence in the leave to construct proceeding seemed to indicate that NextBridge could maintain its cost estimate for a 2021 in-service date.

As the whole of the contingency budget has essentially already been allocated, further project cost increases resulting in overages relative to the overall project budget appear likely. Further to the reporting requirements in its license, and to ensure appropriate monitoring, NextBridge is required to include in its next quarterly report a detailed explanation of what it is doing to actively manage

² This letter and UCT 2’s Response were filed as part of the EB-2017-0182 proceeding and are included in the materials filed as part of Exhibit 1-01-52 Attachment 1 and accessible through the bookmarks contained within.

its budget, reduce risks, and contain costs, including mitigating any potential cost increases for the East-West Tie Project.

In its next Quarterly Report dated November 8, 2019, at Appendix A (also included as part of Exhibit I-01-52 Attachment 1) UCT 2 responded to Board Staff's request and provided the following additional information:

APPENDIX A

A. Introduction

In its October 10, 2019, letter to NextBridge, the OEB noted that according to the Quarterly Report filed on August 30, 2019, NextBridge had allocated 99.8% of its \$49 million contingency. To better understand the impact of this allocation on the overall budget and potential future Project cost increases, the OEB directed NextBridge in this Quarterly Report to provide “. . . a detailed explanation of what it is doing to actively manage its budget, reduce risks, and contain costs, including mitigating any potential cost increases for the East-West Tie Project.”

In response to the OEB's direction, and to provide context, upon receiving the LTC in February of 2019, NextBridge engaged all cost category disciplines in the following activities:

- Updating the construction schedule to meet an October 2021 in-service date (ISD); and
- Re-budgeting based on the new construction start date and the new ISD.

The revision of the construction schedule and re-budgeting exercise informed the OEB Quarterly Report submitted on August 30, 2019. That was the first and only Quarterly Report submitted to the OEB since April 2019.

- As part of the re-budgeting activities, in order to contain costs and mitigate risks, NextBridge undertook the following actions:
 - As required by the OEB, NextBridge coordinated with HONI to align the new ISD of 4Q 2021 with the ISD for the HONI substations.
 - Based on the new ISD, the construction schedule was updated to maximize the efficiency of working seasons and construction in environmentally sensitive areas including SAR habitat.
 - Based on the new construction schedule, NextBridge aligned the individual department team leads' cost categories with the updated schedule and adjusted deliverables to the new ISD, including the identification and mitigation of risks associated with the new ISD.
- NextBridge also assessed current progress versus the updated construction schedule.
 - In some instances, to meet the revised construction schedule, activity duration needed to be modified.

- For example, the environmental permitting schedule needed to be updated based on the conditions in the approved EA for additional stakeholder and Indigenous review of DPPs.
- To further mitigate risks and control costs, NextBridge assessed resource needs and made changes in order to be more efficient during construction.
 - For example, the general contractor was chosen to perform the environmental permitting work since they were already in the field for construction.
 - This approach mitigated the risks associated with the need to coordinate the timing of obtaining required environmental permits in time to ensure construction could proceed without interruption.
 - As a cost control measure, this approach reduced additional training and mobilization requirements.
- All cost category discipline leads and teams worked with NextBridge's Project Director and the Project Management Office to detail their costs, contracts, and timing of spend based on this effort.

B. Allocation of Contingency

During the re-budgeting and updating of the construction schedule, NextBridge proactively allocated contingency funds to cost category disciplines based on a forecasted risk allocation, rather than waiting for the actual expenditure to be incurred to allocate the contingency. The allocation of contingency took into account the new ISD, known contracted rates, forecasted costs and actual costs spent to date. Therefore, while the contingency was allocated in a proactive manner, it was with the understanding that known costs (both spent and contracted) would be actively managed so as to reduce risk and associated cost to the furthest extent possible. This proactive approach to the allocation of contingency also provided increased transparency of NextBridge's forecast of overall construction costs.

OEB Staff sought further information regarding the allocation of contingency amounts reported in UCT's Quarterly Report dated January 22, 2020 and for the period October 1, 2019 to December 31, 2019.³ Part 1 of Staff's request asked:

1. In the January Progress Report, NextBridge has reallocated budgets in various cost categories, in some cases for cost categories that were previously assigned contingency funds based on forecasted risks. Please explain, in detail, the reasons for the budget reallocations (i.e., the increases and decreases in budgets for cost categories).

UCT 2 then provided a six-page response to Staff's question in a supplemental filing dated February 20, 2020, detailing the changes and contingency assignments. Given the length of this

³ OEB Staff's letter requesting additional information was dated February 12, 2020.

response, it is not repeated here, but it is included as part of the materials in Exhibit I-01-52 Attachment A.1.

UCT 2 discussed the supplement material in response to Staff IR –44(b) in EB-2020-0150, which is attached to this response as Attachment 1 (Exhibit I-01-53 Attachment 1).

Finally, in its April 22, 2020 Quarterly Report, UCT 2 provided the following information regarding the allocation of the original contingency amount and the impacts arising from the emerging COVID pandemic:

A. Project Cost Update Summary

Construction costs for the EWT Project are forecasted to be on budget when compared to the LTC application budget. While increases have been identified in certain budget areas, the use of the previously-budgeted value for contingency allows for sufficient allocation of funds to address areas where budget increases were identified. However, at this point in time the costs related to the pandemic are unknown.

Similar disclosures were reported in all subsequent Quarterly Reports until issuance of the 2022 3rd Quarterly Report dated October 21, 2022. In that Report, UCT 2 then provided an update regarding approved variance account balances for COVID and CCVA amounts. In that Report, UCT 2 noted again that no additional amounts to the previously-budgeted value for contingency had been applied to address areas where budget increases were identified, and that the prudence of the amounts tracked in the approved variance accounts would be addressed in this Application.