

SEC INTEROGATORY- 01

Reference:

1. [A-1, p.6]

Interrogatory:

Please provide a table that shows, a) approved budget amount, b) actual incurred costs, c) actual costs paid by the Applicant, and d) costs for rate recovery, broken down by construction cost category provided in the Quarterly EWT Progress Report, Project Cost Update Table.

Response:

UCT 2 interprets “a) approved budget amount” to mean construction costs approved by the OEB in orders EB-2020-0150 and EB-2017-0182; “b) actual incurred costs” to mean costs incurred by Valard; “c) actual costs paid by the Applicant” to mean actual costs paid by UCT 2; and “d) costs for rate recovery” to mean the Applied-For Costs included in the Application.

Please see the table below.

Cost Description	(a) Approved Budget Amount	(b) Actual Incurred Costs	(c) Actual Costs Paid by Applicant	(d) Costs for Rate Recovery
Project Development	36,572,000	36,572,387	36,572,387	36,572,387
Development	31,241,000	31,241,000	31,241,000	31,241,000
Phase Shift	5,331,000	5,331,387	5,331,387	5,331,387
Engineering & Construction				
Engineering, Design and Procurement				
Materials and Equipment				
Site Clearing, Access				
Construction				
COVID & CCVA Variances	-	255,500,000	160,388,935	160,388,935
Construction Cost Variances	-	58,834,836	48,687,137	48,687,137
COVID Direct Cost Variances ^[1]	-	21,586,103	22,687,695	22,687,695
COVID Indirect Cost Variances	-	89,014,103	89,014,103	89,014,103
Remaining Cost Overrun (unpaid)	-	86,064,958	-	-
Environmental & Remediation Activities	31,321,265	31,170,141	31,321,265	31,321,265
Environmental and Regulatory Approvals	19,118,127	19,108,478	19,118,127	19,118,127
Site Remediation	12,203,138	12,061,663	12,203,138	12,203,138
Indigenous Activities	23,903,555	24,187,858	23,903,555	23,903,555
Indigenous Economic Participation	10,080,452	10,504,767	10,080,452	10,080,452
Indigenous Consultation	13,823,103	13,683,091	13,823,103	13,823,103
Land Rights (excludes Aboriginal)	23,330,512	23,270,937	23,330,512	23,330,512
Other Consultation	1,714,194	1,691,940	1,714,194	1,714,194
Contingency	-	-	-	-
Regulatory	5,571,078	5,479,087	5,571,078	5,571,078
EWT Management	5,800,644	5,776,899	5,800,644	5,800,644
Total Project Spend				
Interest During Construction (IDC)^[2]				
Total Construction Costs				

^[1] The difference in the amounts shown is due to costs that UCT 2 directly incurred (not the Contractor) for additional First Nation consultation and participation costs concerning COVID-19 safety measures.

^[2] IDC is not an incurred cost paid by the applicant, but is the implied cost of debt financing of invested capital.

SEC INTEROGATORY - 02

Reference:

1. [A-1, p.7]

Interrogatory

With respect to the negotiated outcome:

- a. Was the outcome memorialized in a document or agreement? If so, please provide a copy.
- b. Please provide a copy of all correspondence or written material exchanged between the Applicant and Valard regarding final COVID-19 (including productivity losses) costs that led to the negotiated outcome.
- c. Please provide a copy of any other written material (i.e. meeting notes, summaries, analysis, presentations, memorandums) regarding quantification of COVID-19 costs (including productivity losses) with Valard.

Response:

- a) No. Please refer to the response to OEB Staff IR 46 (Exhibit I-01-46).
- b) Please refer to the response to OEB Staff IR-08(c-f) (Exhibit I-01-08).
- c) Please refer to the response to OEB Staff IR-08(c-f) (Exhibit I-01-08) and Exhibit C, Tab 2 to the Application.

SEC INTEROGATORY- 03

Reference:

1. [A-1, p.9]

Interrogatory:

The Applicant proposed that the total balance in the CCVA and COVID Deferral Accounts allocated to USoA 1706, 1720, and 1730 “based on the same proportion of capital additions for calculating UCT 2’s revenue requirement as approved in Decision and Order, EB-2020-0150”. Please explain why the Applicant has proposed this method as opposed to recording these incremental costs to the specific UsoA account to which they would belong.

Response:

Please see response to OEB Staff IR-4(b) (Exhibit I-01-04).

SEC INTEROGATORY- 04

Reference:

1. [B-1, p.4]

Interrogatory:

Please provide a revised version of Table Ex.B.1 with a forecast/actual of the 2023 ROE calculation.

Response:

The requested information is not relevant to the issues in this proceeding. This information pertains to UCT 2's financial performance for a period commencing nine months following the in-service date of the Project. None of the Applied-For Costs relates to 2023. Thus, the requested information was not known and could not have been known at the time the Applied-For Costs were budgeted or incurred. The requested information therefore has no relevance to the central issue of whether UCT 2 has demonstrated that the applied-for amounts were prudent and thereby appropriate for recovery in rates.

SEC INTEROGATORY- 05

Reference:

1. [B-1, p.3-4]

Interrogatory:

Please provide a revised ESM calculation that grosses up the amount to be credited to ratepayers for taxes.

Response:

Please see Table 2 below, which shows the ESM calculation grossed-up for taxes.

Line No.	Description	Regulatory
1	Operating Revenue	\$ 42,186
2	Operation Expenses	10,237
3	Net Operating Income	31,949
4		
5	Gross Plant	774,582
6	Accum. Depreciation	(6,883)
7	Utility Plant, net	767,699
8	Average Rate Base	771,140
9	Equity Funded Rate Base	\$ 308,456
10		
11	Debt Return	9,626
12	Equity Return	22,322
13		
14	Return on Equity	7.24%
15	Annualized Return on Equity	9.65%
16		
17	Total over earnings before profit share	\$ 3,028
18	Profit over 100bps	715
19		
20	Profit Share: 50% over 100bps	357
21	Taxes - 2.7% Ontario Corp. Min. Tax (OCMT)	10
22	Interest	18
23	Profit Share: Grossed-up for Taxes	\$ 385
24		
25	ROE After Profit Share	7.11%
26	Annualized Return on Equity after profit share	9.48%

SEC INTEROGATORY- 06

Reference:

1. Engineering, Procurement and Construction (“EPC”) Agreement for Transmission Facilities by and between NextBridge Infrastructure LP as Owner and Valard Construction LP, as Contractor, dated as of December 5, 2017 as filed in proceeding EB-2017-0182.

Interrogatory:

With respect to the additional costs from Valard:

- (a) Please provide extracts of the contract which Valard relied upon to seek additional recovery of additional costs (both COVID and other construction costs).
- (b) Please provide a full copy of the contract with Valard.

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) Please see below.

ARTICLE I. DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms have the meanings indicated:

“Applicable Laws” means: (i) federal, provincial, or municipal laws, orders-in-council, by-laws, codes (including, without limitation, the Transmission System Code), rules (including the IESO Market Rules as well as any manuals or interpretation bulletins issued by the IESO from time to time), policies, guidelines, regulations and statutes; (ii) orders, decisions, codes, judgments, rules, injunctions, decrees, awards, and writs of any Governmental Authority; and (iii) any requirements under or prescribed by any Applicable Permits, licenses and/or common law; applicable to a Party (as to that Party), the Project, the Job Site or the performance of the Work.

“Change in Applicable Law” means any newly enacted or change in, or final change in the judicial or administrative interpretation of, or adoption or repeal of, any Applicable Law promulgated by any Governmental Authority of (A) the Province of Ontario (or any city, county or municipality therein) or (B) the Federal government of Canada to the extent such federal law directly affects the Work performed at the Job Site and is at variance with or in addition to any Applicable Law (if any) in effect on the Effective Date, and provided further that (i) such change materially and adversely affect Contractor’s costs or schedule for performing the Work, (ii) such change could not on the Effective Date reasonably have been foreseen and (iii) such change affects a substantial or essential portion of the Work; provided, however, and notwithstanding the foregoing, it is understood and agreed by the Parties that (a) changes to Applicable Law relating to income taxes imposed on Contractor or its Subcontractors, (b) changes to Applicable Law relating to the organization, existence, good standing, qualification, or licensing of Contractor or its Subcontractors in any jurisdiction, (c) the issuance of an Applicable Permit pursuant to Applicable Law, (d) changes to any federal, provincial, or local Tax law or any other law imposing a Tax, duty, levy, impost, fee, royalty, or charge for which Contractor is responsible hereunder, (e) changes to any federal, provincial or local law affecting the cost of Contractor’s or any Subcontractor’s Labour, and (f) changes to the Construction Lien Act, in each case of clauses (a) through (f) of this definition, shall not be a Change in Applicable Law pursuant to this Agreement.

“Contract Price” means the total sum payable by Owner for all labour, all materials, and all equipment, which sum shall be due in accordance with the terms of the Agreement as consideration for the timely performance of the Scope of Work to be performed by or through Contractor in order to complete the Work, all in strict accordance with the terms of the Agreement, which total sum is guaranteed by Contractor not to exceed the amount set forth in Section 4.1, and which sum shall only be subject to adjustment in accordance with the Agreement.

“Force Majeure Event” means any event or circumstance, or combination of events or circumstances, that arises after the date hereof, is beyond the reasonable control of the Party claiming the Force Majeure Event, is unavoidable or could not be prevented or overcome by the reasonable efforts and due diligence of the Party claiming the Force Majeure Event and has an impact which will actually, demonstrably, adversely and materially affect Owner’s ability to perform its obligations (other than payment obligations) in accordance with the terms of the Agreement or has an impact which will actually, demonstrably, adversely and materially affect the Critical Path of the Work and performance of Contractor’s obligations in accordance with the terms of the Agreement; subject to the satisfaction of the foregoing criteria, Force Majeure Events may include, without limitation, the following: acts of God, natural disasters, fires, earthquakes, lightning, floods, storms, civil disturbances, riots, war and military invasion. Notwithstanding the foregoing, the definition of “Force Majeure Event” shall not include: strikes, work stoppages (or deteriorations), slowdowns or other labour actions; any labour or manpower shortages; unavailability, late delivery, failure, breakage or malfunction of equipment or materials or events that affect the cost of equipment or materials; economic hardship (including lack of money); perils of sea; delays in transportation (including delays in clearing customs) other than delays in transportation resulting from accidents or closure of roads or other transportation route by Governmental Authorities; changes in Applicable Laws or Applicable Permits; reasonably foreseeable weather conditions in the Job Site’s geographic area (Contractor acknowledges that it has factored into the schedule a sufficient number of lost days to account for such weather conditions) or elsewhere; actions of a Governmental Authority with respect to Contractor’s compliance with Applicable Laws or Applicable Permits, which may include, without limitation, a Change in Applicable Law; any failure by a Party to obtain and/or maintain any Applicable Permit it is required to obtain and/or maintain hereunder; any surface or subsurface conditions at the Job Site; Move Around Events, Owner Caused Delays or any other act, omission, delay, default or failure (financial or otherwise) of a Subcontractor.

“Governmental Authority” means any and all foreign, national, federal, provincial, county, city, municipal, local or regional authorities, departments, bodies, commissions, corporations, branches, directorates, agencies, ministries, courts, tribunals, judicial authorities, legislative bodies, administrative bodies, regulatory bodies, autonomous or quasi-autonomous entities or taxing authorities or any department, municipality or other political subdivision thereof, including the IESO, the OEB, the ESA, the TSSA, any municipality or township, any transmitter (including HONI) or local distribution company, and any Person acting under the authority of any Governmental Authority.

“Scope Change Order” means a written order, in the form set forth in Exhibit V-1, to Contractor pursuant to Article IX, signed by Owner and countersigned by Contractor, authorizing a Scope Change.

“Scope of Work” means the services and work to be provided, or caused to be provided, by or through Contractor under the Agreement, as more particularly described in Exhibit A, and the other obligations of Contractor under the Agreement, including the Technical Specifications, as the same may be amended from time to time in accordance with the terms hereof, and which Scope of Work includes, without limitation, all licenses, technical assistance, assembly, construction management, construction, services, labour, materials, equipment, operations and management that are indicated on, inferable from, or incidental to, the Agreement or the Drawings, all in order to produce Transmission Facilities that complies with the requirements of the Agreement.

2.4.4 Acceleration of Work.

(a) If, at any time or from time to time, Owner determines, in its sole discretion, that: (i) Contractor has failed to show adequate progress of the Work toward completion of a Milestone by the date required by the applicable Milestone Date, or (ii) Contractor has failed to achieve a Milestone by the applicable Milestone Date, then, on each such date, Contractor shall promptly, but in any event within two (2) Business Days of such date, submit for approval by Owner a written recovery plan to complete all necessary Work to achieve completion of the remaining Milestones by the applicable Milestone Dates. Owner shall approve or submit reasonable revisions to such written recovery plan. Contractor shall incorporate such revisions into such recovery plan and resubmit such recovery plan to Owner for approval within two (2) Business Days of receipt of Owner's revisions. Upon approval by Owner, Contractor shall diligently prosecute the Work in accordance with such recovery plan at its sole cost and expense. Notwithstanding anything to the contrary in this Agreement, in law, or in equity, neither approval by Owner of such recovery plan nor Contractor's prosecution of the Work in compliance with such recovery plan shall (A) be deemed in any way to have relieved Contractor of its obligations under the Agreement relating to the failure to timely achieve any Milestone by the applicable Milestone Date, or (B) be a basis for a Scope Change Order, any claim for Owner-directed acceleration (or similar claim however phrased), or any other compensation or an increase whatsoever in the Contract Price or extension whatsoever in the Project Schedule. In the event that Contractor fails to deliver a recovery plan in accordance with this Section 2.4.4(a) or fails to comply with such recovery plan or thereafter fails to achieve a Milestone by the applicable Milestone Date, Owner shall have the right to require Contractor to accelerate the Work by means of overtime, additional personnel, additional shifts, additional equipment and/or re-sequencing of the Work. Notwithstanding anything to the contrary in this Agreement, in law, or in equity, Contractor agrees that it shall not be entitled to a Scope Change Order, any claim for Owner-directed acceleration (or similar claim however phrased), or any other compensation or increase in the Contract Price or extension whatsoever in the Project Schedule in connection with the implementation of any recovery plan or any such requirement to accelerate. This Section 2.4.4(a) shall not be construed to limit any of the rights and remedies hereunder.

(b) In addition to the provisions of Section 2.4.4(a) relating to delays in the Work, (i) in the event of a delay arising from any Owner Caused Delay or Force Majeure Event or (ii) if Contractor provides evidence reasonably acceptable to Owner that such delay results from a suspension pursuant to Section 13.5, Owner may, in accordance with the provisions of Article IX, direct that the Work be accelerated by means of overtime, additional crews or additional shifts or resequencing of the Work. If (A) such delay arises from any Owner Caused Delay or Force Majeure Event, or (B) Contractor provides evidence reasonably acceptable to Owner that such delay results from a suspension pursuant to Section 13.5, then Contractor shall be entitled to reimbursement of increased costs (such costs being based on the unit rates set out in Exhibit B-2 to the extent a unit rate exists) as a result of such acceleration (i.e., premium portion of overtime pay, additional crew, shift or Equipment cost and such other items of incremental cost requested in advance by Contractor and approved by Owner which approval will not be unreasonably withheld) less savings or costs not incurred due to such acceleration, but expressly waives any other compensation therefor. CONTRACTOR SHALL RECEIVE NO SUCH REIMBURSEMENT, FOR COSTS ARISING OUT OF, AND CONTRACTOR SHALL BE SOLELY RESPONSIBLE FOR ANY COSTS INCURRED BY

CONTRACTOR AS A RESULT OF, ACCELERATION RELATED TO ANY EVENT OTHER THAN THE EVENTS SPECIFICALLY DESCRIBED IN CLAUSES (i) AND (ii) OF THIS SECTION 2.4.4(b). Contractor shall cause prosecution of the Work to conform to the Project Schedule within thirty (30) days after receiving written notice from Owner to accelerate the Work under this Section 2.4.4(b).

**ARTICLE IV.
CONTRACT PRICE**

4.1 Contract Price.

4.1.1 As full consideration and payment to Contractor for completing and furnishing the Work, Owner agrees to pay Contractor an amount, equal to [REDACTED], subject to any price adjustments as may arise from time to time pursuant to this Section 4.1. The Contract Price is a fixed price and is stated in Canadian dollars and is not subject to adjustment for exchange rate fluctuations. For the purpose of accounting requirements, the Contract Price is broken down by WBS element as set forth in Exhibit B-1.

4.1.2 The Contract Price is fixed, subject to any price adjustments as may arise from time to time pursuant to Article IX.

4.1.3 The following amounts and only the following amounts that may be payable to Contractor pursuant to the terms hereof are in addition to the Contract Price: (i) interest payable on overdue payments by Owner hereunder that are not being disputed by Owner; and (ii) indemnification payments pursuant to Article X.

4.3 Payment of the Contract Price. Owner shall pay the Contract Price to Contractor based on progress of completion of Activities in the Schedule of Values and made in accordance with the Cash Flow Table, subject to the terms and conditions hereof. Commencing after the Effective Date, Contractor shall, on the first (1st) day of a calendar month (or the following Business Day) following any month in which Contractor achieves completion of a Activity, Contractor may submit to Owner a request for payment (the "Request for Payment") (separating materials and labour) for each Activity completed during the previous month.

4.4 Disputed Invoices. If there is any Dispute about any amount invoiced by Contractor, the amount not in dispute shall be promptly paid, and any amount that is disputed in good faith by proper proceedings shall be paid if required following resolution of the Dispute.

**ARTICLE VIII.
FORCE MAJEURE; OWNER CAUSED DELAY;
CHANGE IN APPLICABLE LAW; MOVE AROUND EVENTS**

8.1 Performance Excused. So long as the conditions set forth in this Section 8.1 are satisfied, neither Party shall be responsible or liable for or deemed in breach of this Agreement because of any failure or delay in complying with its obligations under or pursuant to the Agreement to the extent that such failure has been caused, or contributed to, by one or more Force Majeure Events or its effects or by any combination thereof, and in such event:

(a) The Party claiming a Force Majeure Event shall give the other Party notice describing the particulars of the cause and nature of the occurrence, with written notice given promptly after the occurrence of the Force Majeure Event, and in no event more than five (5) Business Days after the affected Party becomes aware of such occurrence and as soon as reasonably practicable, but in any case within ten (10) Business Days after such occurrence, the Party claiming a Force Majeure Event shall give the other Party sufficient proof of the occurrence of such Force Majeure Event and written notice estimating the Force Majeure Event's expected duration and probable impact on the performance of such Party's obligations hereunder, and such affected Party shall continue to furnish timely regular reports with respect thereto during the continuation of the Force Majeure Event;

(b) The performance of the Party claiming the Force Majeure Event of its obligations hereunder shall be suspended, provided the suspension of performance shall be of no greater scope and of no longer duration than is reasonably required by the effects of the Force Majeure Event;

(c) Any liability of either Party, which arose before the occurrence of the Force Majeure Event causing the suspension of performance, shall not be excused as a result of the occurrence;

(d) The affected Party shall continually exercise all commercially reasonable efforts to alleviate and mitigate the cause and effect of such Force Majeure Event, remedy its inability to perform and limit damages to the other Party;

(e) The affected Party shall use all reasonable efforts to continue to perform its obligations hereunder and to correct or cure the event or condition excusing performance; and

(f) When the affected Party is able to resume performance of the affected obligations under the Agreement, that Party shall give the other Party written notice to that effect, and the affected Party promptly shall resume performance under the Agreement.

So long as the conditions set forth in this Section 8.1 are satisfied, Contractor shall be entitled to suspension of performance or extension of time (including an extension of the applicable Guaranteed Provisional Acceptance Date to the extent achievement thereof is affected) with respect to a Force Majeure Event to the extent agreed upon by both Parties pursuant to a Scope Change Order under Article IX. A Party's failure to comply with the provisions of this Section 8.1 shall constitute a waiver of any claim of a Force Majeure Event.

continually exercise all commercially reasonable efforts to alleviate and mitigate the cause and effect of such Change in Applicable Law, remedy its inability to perform and limit damages to Owner. Contractor's failure to comply with the terms of this Section 8.3 shall constitute a waiver of any claim of a Change in Applicable Law.

8.5 Burden of Proof. The burden of proof as to whether a Force Majeure Event, Owner Caused Delay, Change in Applicable Law or Move Around Event has occurred, and whether the Force Majeure Event, Owner Caused Delay, Change in Applicable Law or Move Around Event excuses the claiming Party from performance under Section 8.1, Section 8.2, Section 8.3 or Section 8.4 shall be upon the Party claiming such Force Majeure Event or Owner Caused Delay.

ARTICLE IX. SCOPE CHANGES

9.1 Scope Changes at Owner's Request. Owner may, from time to time, without invalidating this Agreement, order or approve scope changes in all or a portion of the Work or changes in the Project Schedule (collectively, "Scope Changes") by notification in writing to Contractor. Contractor shall make a written response thereto within ten (10) days after receiving such request. If Contractor believes that giving effect to any Scope Change requested by Owner will increase or decrease its cost of performing the Work, shorten or lengthen the time needed for completion of the Work or require a modification of any provisions of the Agreement, its response to the Scope Change request shall set forth such changes (including any amendments to the Agreement) that Contractor deems necessary as a result of the requested Scope Change and its justification therefor. If Contractor accepts the Scope Changes requested by Owner (together with any amendments to the Agreement specified therein) or if the Parties agree upon a modification of such requested Scope Changes, the Parties shall set forth the agreed upon Scope Change in the Work and agreed upon amendments to the Agreement, if any, in a Scope Change Order. Each Scope Change Order shall constitute a final settlement of all items covered therein, including any schedule relief or compensation for any impact on, or delay or acceleration in, performing the Work. If the Parties do not agree upon all terms of the Scope Change Order, Contractor shall proceed with such Work, and the dispute shall be resolved in accordance with the terms hereof.

9.5 Scope Changes Caused by a Force Majeure Event, Owner-Caused Delay, Change in Applicable Law or Move Around Event.

9.5.1 Owner and Contractor may, by written notice to the other Party, propose Scope Changes in the Work or the Project Schedule due to a Force Majeure Event, Owner Caused Delay or Change in Applicable Law; provided, however, if an Owner Caused Delay is equal to or greater than ninety (90) days

in duration, then it is understood and agreed by the Parties that any adjustment to the Contract Price will:

- (i) only apply to the portion of the Work impacted by the Owner Caused Delay;
- (ii) only apply to the portion of the Work that is not yet complete (and not be applied retroactively) as of the date Owner notifies Contractor of its ability to perform the Work impacted by the Owner Caused Delay; and
- (iii) be calculated in accordance with
 - (a) in regards to all Equipment (except as covered in clause (b) of this Section below) and Contractor Equipment, the preceding twelve month average (prorated for any duration of less than twelve months) of the Ontario Consumer Price Index published by Statistics Canada for equipment and material (v41691919 -326-0020 CPI; Ontario; All-items; monthly, 1978-09-01 to 2017-10-01) as of the date of the commencement of such Owner Caused Delay, and
 - (b) in regards to any Activity that includes Labour, Contractor's then current CUSW Collective Agreement rate for Labour in Ontario, Canada, provided that in no event shall any such applicable portion of the Contract Price be subject to an annual adjustment (prorated for any duration of less than twelve months) that exceeds two and one half percent (2.5%) of such applicable portion of the Contract Price in place as of the date of the commencement of such Owner Caused Delay.

Contractor may, by written notice to Owner, propose Scope Changes in the Contract Price only due to a Move Around Event. If Owner agrees that Contractor has met all of the applicable condition precedents for a requested Force Majeure Event, Owner Caused Delay, Change in Applicable Law or Move Around Event, as applicable, including, without limitation, Contractor establishing there is a material impact that will actually, demonstrably, adversely and materially affects the Critical Path as a result of such Force Majeure Event, Owner Caused Delay, Change in Applicable Law or Move Around Event, then the Parties agree to negotiate reasonably and in good-faith for the execution of a mutually acceptable Scope Change Order.

9.5.2 Force Majeure Events will entitle Contractor only to extensions of the Project Schedule and will not entitle Contractor to any compensation, reimbursement of costs or any increase in the Contract Price. Move Around Events will only entitle Contractor to an increase of the Contract Price pursuant to Section 8.4 and will not entitle Contractor to any extensions of the Project Schedule, except that, commencing on the sixth (6th) Move Around Event, Contractor will be entitled to extensions of the Project Schedule as set forth in Section 8.4. Any extension permitted under this Section 9.5 shall be of an equitable duration designed to reflect the delay actually caused by the relevant event despite Contractor's efforts to mitigate the same. In the case of Force Majeure Events, Owner Caused Delays and Change in Applicable Law, the Parties acknowledge that such equitable extension will generally be equal to or less than the number of days during which a (i) Force Majeure Event or the effects thereof persisted, (ii) the number of days of the Owner Caused Delay or (iii) Change in Applicable Law or the effects thereof persisted, as the case may be; provided, however, that in no event will Contractor be entitled to an extension that is longer than the duration of the applicable (a) Force Majeure Event or the effects thereof, (b) Owner Caused Delay or (c) Change in Applicable Law or the effects thereof persisted.

9.6 Changes to Contract Price; Disputes. A Scope Change Order initiated by Owner may have the effect of either increasing or decreasing the Contract Price. Except as otherwise set forth herein, such 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 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 (separating materials and labour) to Owner; provided, however, Owner may in its sole discretion

determine that Contractor shall be paid for such Scope Change on a not to exceed cost plus basis. In the event that the Parties are unable to reach an agreement on an all-inclusive final lump sum cost to Owner or a not-to-exceed cost estimate as a result of a requested Scope Change, then Contractor agrees to perform the requested Scope Change at a price equal to Owner's proposed lump sum amount (such lump sum amount being based on unit rates identified in Exhibit B-2 to the extent a unit rate exists) and to resolve (in accordance with the dispute resolution procedures set forth in Article XV) the issue of any excess of Contractor's proposed lump sum cost over that of Owner's proposed lump sum amount. In addition, in the event that Owner and Contractor are unable to reach agreement on a Scope Change Order for a Scope Change requested by either Owner or Contractor, at the direction of Owner (and only at the direction of Owner), Owner's proposed Scope Changes shall become effective as a Scope Change Order and Contractor shall continue to perform the Work in accordance with such Scope Change Order and the proposed Scope Changes shall be performed by Contractor at its sole cost and expense pending resolution of the dispute pursuant to the dispute resolution procedures set forth in Article XV. Contractor shall not suspend, in whole or in part, performance of this Agreement during any good faith dispute over any Scope Change Order unless directed to do so by Owner.

17.17 Good Faith Dealings. The Parties undertake to act fairly and in good faith in relation to the performance and implementation of this Agreement and to take such other reasonable measures as may be necessary for the realization of its purposes and objectives.

(b) Please refer to Attachment 1 to this Response (Exhibit I-05-06 Attachment 1). 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.

SEC INTEROGATORY - 07

Reference:

1. [C-1]

Interrogatory:

Please provide a copy of any analysis undertaken by the Applicant regarding quantification of COVID-19 costs (either direct, loss of productivity, or other).

Response:

Please see UCT 2's Response to Staff IR-8(c-f) (Exhibit I-01-8).

SEC INTEROGATORY- 08

Reference:

1. [C-1, p.7]

Interrogatory:

With respect to Valard providing notice that the COVID-19 pandemic was a Force Majeure Event:

- a. Please provide a copy of the Force Majeure Event notice.
- b. Once Valard provided the Applicant with the Force Majeure Event notice, please explain how the Applicant determined how the project would move forward and how Valard would determine what additional costs it would be reasonable to incur.

Response:

- a. Please see the response to Staff IR 8(b) (Exhibit I-01-08 Attachment 2).
- b. Because the Province of Ontario deemed construction projects related to the energy sector to be essential during the pandemic,¹ the Project's construction could not shut down like other businesses deemed non-essential. As a result, UCT 2 engaged in discussions with Valard beginning at the onset of the pandemic and before Valard's issuance of the Force Majeure Event notice. UCT 2 also engaged in discussions with the IESO and with the OEB regarding potential schedule and cost impacts of this unforeseeable event. As part of these discussions, the UCT 2 Project Director discussed the preferred path forward for the Project that best balanced cost, safety, and Project schedule. On March 23, 2020, UCT 2 formally notified the OEB that COVID would likely impact the Project In Service Date ("ISD") and costs. Please see Attachment 1 to this response (Exhibit 1-05-08, Attachment 1). In a letter dated July 22, 2023, UCT 2 also requested that the IESO extend the ISD in light of challenges posed by the pandemic. Please see Attachment 2 to this response (Exhibit 1-05-08, Attachment 2). On Aug. 28, 2020, UCT 2 received formal confirmation from the IESO that the requested adjustment to its ISD was warranted and that the requested five-month extension was acceptable. The IESO stated that the extension would not impact the IESO's June 2018 Addendum to the 2017 Updated Assessment for the Need for the East-West Tie Expansion, as filed in EB-2017-0182.² Please see Attachment 3 to this response (Exhibit 1-05-08, Attachment 3). On Sep. 3, 2020, UCT 2 formally notified the OEB of the five-month delay to March 30, 2022. Please see Attachment 4 to this response (Exhibit 1-05-08, Attachment 4).

¹ See, e.g., List of Essential Workplaces, Govt. of Ontario (Mar. 23, 2020), available at <https://s3.amazonaws.com/files.news.ontario.ca/opo/en/2020/03/list-of-essential-workplaces-2.html>.

² On March 2, 2016, the Lieutenant Governor in Council made Order in Council 326/2016 under Section 96.1 of the Act (Priority Project OIC), declaring that the new transmission line between Wawa and Thunder Bay was needed as a priority project.

With respect to incremental cost tracking, in OEB Decision and Order EB-2020-0150 issued on June 17, 2021, the OEB directed UCT 2 to track all COVID-19 and other out of scope construction costs in the new COVID and CCVA deferral accounts authorized by the OEB. The Order also stated that the OEB would review these costs once the costs were known, and in a separate proceeding, would assess the prudence of the costs incurred. Valard subsequently developed internal cost codes to track all incremental costs relating to potential impacts of the COVID-19 pandemic separate from construction costs. The costs categorized under these new cost codes had to be directly related to COVID-19 and its impacts to the Project.

As discussed in the Application and its Interrogatory Responses, UCT 2 undertook extensive measures to monitor COVID impacts and costs, including daily interactions with the EPC Contractor to discuss the constantly changing conditions. See response to Staff IR-8. The EPC Contractor also developed and implemented a COVID Management Plan to govern the implementation of health and safety measures. Please see Attachment 1 in response to Staff IR 8(a) (Exhibit I-01-08 Attachment 1). UCT 2 also undertook in-depth reviews of all claimed costs and invoices to ensure only prudently incurred costs were posted to the COVID deferral account. See responses to Staff IRs 8-13 (Exhibit I-01-08 thru Exhibit I-01-13).

SEC INTEROGATORY- 09

Reference:

1. [C-1, p.1]

Interrogatory:

Please provide a revised version of Table Ex.C.1 that shows, a) actual incurred costs, b) actual costs paid by the Applicant, and c) costs for rate recovery.

Response:

UCT 2 interprets the terms used in this Interrogatory consistent with its response to SEC IR 1. Subject to this interpretation, please see the below table.

COVID-19 Costs: Account	(a) Actual Incurred Costs	(b) Actual Costs Paid by Applicant	(c) Costs for Rate Recovery
Direct Costs			
• Safety	\$4,111,104	\$4,111,104	\$4,111,104
• Subcontractor ^[1]	\$5,874,089	\$5,952,247	\$5,952,247
• Camp Operations & Security	\$4,164,167	\$4,164,167	\$4,164,167
• Quarantine/Self-Isolation	\$4,059,305	\$4,059,305	\$4,059,305
• Flight Program	\$3,377,438	\$3,377,438	\$3,377,438
• First Nations Consultations and Participation ^[1]		\$1,023,434	\$1,023,434
Subtotal	\$21,586,103	\$22,687,695	\$22,687,695
Productivity Losses			
• Direct Labor Costs	\$40,935,560	\$40,935,560	\$40,935,560
• Equipment Costs	\$26,249,568	\$26,249,568	\$26,249,568
• Indirect Labor Costs	\$7,963,967	\$7,963,967	\$7,963,967
• 15% contractor mark-up and 3% Supercom Fees	\$13,865,008	\$13,865,008	\$13,865,008
Subtotal	\$89,014,103	\$89,014,103	\$89,014,103
Total Amount of COVID Costs ^[2]	\$110,600,206	\$111,701,768	\$111,701,768

^[1] The difference in the amounts shown is due to costs that UCT 2 directly incurred (not the Contractor) for additional First Nation consultation and participation costs concerning COVID-19 safety measures.

^[2] The Actual Incurred Costs for COVID-19 are not available at this level of detail as the productivity losses are arrived at using the productivity loss factor and Contractor costs, resulting in the negotiated outcome (See Exhibit C, Tab 2, pgs 58-60). For further information on actual incurred costs, please refer to UCT's response to Staff IR 46.

SEC INTEROGATORY - 11

Reference:

1. [D-1, p.5]

Interrogatory:

Please provide a revised version of Table Ex.D.2 that shows, a) actual incurred costs, b) actual costs paid by the Applicant, and c) costs for rate recovery.

Response:

UCT 2 interprets the terms used in this Interrogatory consistent with its response to SEC IR 1. Subject to this interpretation, the revised version of Table Ex.D.2 is provided below.

Description	(a) Actual Incurred Costs	(b) Actual Costs Paid by Applicant	(c) Costs for Rate Recovery
Mobilization Costs ^[1]	\$5,064,600	\$5,075,320	\$5,075,320
Erection Crew Standby Charges	\$1,957,357	\$1,879,080	\$1,879,080
Equipment Standby Charges	\$298,079	\$298,079	\$298,079
Direct Activity Supervision Costs	\$1,695,308	\$1,695,308	\$1,695,308
Fire Mitigation Costs	\$403,252	\$380,013	\$380,013
Camp Costs	\$980,280	\$977,130	\$977,130
All-Season Access Road Construction Costs	\$10,504,333	\$10,504,333	\$10,504,333
Total	\$20,903,210	\$20,809,264	\$20,809,264

^[1] The difference in the amounts shown came out of the negotiations with the EPC contractor related to the appropriate contract crew unit rates to be applied in the pricing. These negotiations resulted in an increase in the crew mobilization costs, while at the same time reducing the erection crew standby costs.

SEC INTEROGATORY - 12

Reference:

1. [E-1, p.4]

Interrogatory:

Please provide a copy of all:

- a. Material prepared for each monthly management meeting during the construction phase of the project.
- b. Monthly Reports provided by Valard to the Applicant.
- c. Quarterly Reports filed with the OEB (note: it is acceptable to simply deem these reports filed under EB-2017-0182 as being on the record in this proceeding).
- d. Any other material not listed in the status update or progress reporting prepared by, or provided to, the Applicant regarding the project.

Response:

- a) Please refer to the response to Staff IR-8 (c-f) (Exhibit I-01-08).
- b) Please refer to the response to Staff IR-8(c-f). (Exhibit I-01-08).
- c) Please refer to the response to Staff IR-52 (Exhibit I-01-52).
- d) UCT 2 interprets the scope of this request to seek additional reporting provided to management regarding the Project. Please refer to Staff IR-8(c-f) (Exhibit I-01-8).

SEC INTEROGATORY- 13

Reference:

1. [E-3]

Interrogatory:

Did the Applicant provide any formal written response or feedback to Valard in response to its Monthly Reports? If so, please provide copies.

Response:

The Applicant did not provide its feedback through formal written responses to Valard regarding Monthly Reports. Consistent with its day-to-day supervision of the Project, UCT 2 provided its feedback during daily on-site Project meetings rather than by waiting on the receipt of a monthly report and responding through formal written correspondence. This timely feedback loop provided real-time guidance regarding Project obstacles and subsequent proposed mitigations. UCT 2 then worked in collaboration with the EPC Contractor to jointly address any risks to key Project metrics. This approach ensured that UCT 2 could effectively and actively manage the Project on a daily basis during the construction period.

SEC INTEROGATORY 14

Reference: [E-1, p.12] [D-1, p.5]

Interrogatory: Please provide a revised version of Table Ex.E.1 that shows, a) EPC claimed costs, b) actual costs paid by the Applicant, and c) applied-for costs from negotiated outcome.

Response:

UCT 2 interprets “a) EPC claimed costs” to mean the incremental cost overruns claimed by Valard at the time the parties negotiated the resolution of Valard’s claims during the April through August 2022 period; “b) actual costs paid by the Applicant” to mean actual costs paid by UCT 2; and “c) applied-for costs from negotiated outcome” to mean the Applied-For Costs included in the Application.

Subject to this interpretation, please see the below table.

Description	(a) EPC Claimed Costs	(b) Actual Costs Paid by the Applicant	(c) Applied-for Costs from Negotiated Outcome
COVID-19 Direct Costs ¹	\$21,586,103	\$22,687,695	\$22,687,695
COVID-19 Productivity Losses	\$89,014,103	\$89,014,103	\$89,014,103
Wildfires	\$20,903,210	\$20,809,264	\$20,809,264
Kama Cliffs	\$12,069,736	\$12,069,735	\$12,069,735
White Lake Narrows ²	\$3,961,420	\$4,830,039	\$4,830,039
ROW Delays ³	\$21,900,470	\$10,553,021	\$10,553,021
Changes in Water Body Crossings	\$8,378,493		
Changes to Foundations	\$4,453,581		
Structure Work Inefficiency	\$21,364,748		
General Delay	\$36,503,746		
Carrying Costs from Quanta	\$7,206,099		
Interest During Construction ⁴		\$425,078	\$425,078
TOTAL	\$247,341,709	\$160,388,935	\$160,388,935

¹ The difference in the amounts shown is due to costs that UCT 2 directly incurred (not the Contractor) for additional First Nation consultation and participation costs concerning COVID-19 safety measures.

² The Contractor claimed amount does not include costs which UCT 2 incurred directly to mitigate and accommodate potential impacts to Pic Mobert First Nation. These costs were not part of the Contractor negotiations. These additional amounts are included in the White Lake Narrows applied-for CCVA cost category as described in Exhibit D, Tab 1.

³ The Applied-For Costs for ROW Delays includes First Nation incremental monitoring and consultation costs, as explained further in Exhibit D, Tab 1. UCT 2 directly incurred these costs (not Valard).

⁴ The total Applied-For Costs include an interest during construction amount of \$425,078, as explained further in Exhibit D, Tab 1.

SEC INTEROGATORY- 15

Reference:

1. [F-1, p.2]

Interrogatory:

With respect to financing of project costs:

- a. Please explain how the Applicant financed the project between the in-service date of the project and May 1, 2023? Please provide the interest rate of that financing.
- b. Please explain how the Applicant is financing the incremental construction costs it seeks approval for in this application. Please provide the interest rate of that financing.

Response:

- a. Between the in-service date of the Project and May 2023, the Project was financed through equity contributions provided by UCT 2's limited partners. The cost of the equity contribution is specific to each partner and is based on that partner's cost of financing general corporate funds both from equity and debt markets. UCT 2 has not been provided with the actual financing costs that each partner incurred for their specific contributions.
- b. The incremental construction costs UCT 2 is seeking approval for in the Application are also financed with equity contributions from its limited partners. UCT 2 has not been provided with the actual financing costs that each partner incurred for its specific contributions.

With respect to rate recovery of financing costs associated with incremental construction costs, UTC 2 uses a 60% debt and 40% equity capital structure. The debt portion is comprised of 56% long term debt and 4% short term debt. Once the OEB has ruled on disposition and recovery of the costs applied-for in the Application, UTC 2 intends to finance the approved amounts using the same capital structure. UTC 2's current debt cost rates are used as a proxy for future rates. UCT 2 is requesting the DRVA 2 mechanism to address any rate differentials resulting from changes in market conditions that have arisen since UCT 2 obtained its initial debt financings. With respect to the equity component, UCT 2 is using the cost of equity that was approved in EB-2020-0150 and which is locked in for the Custom IR term. UCT 2's approved ROE level (8.34%) is the lowest rate approved by the OEB in over 10 years and is currently 87 basis points lower than the 9.21% ROE issued by the OEB for 2024 cost-based applications.

SEC INTEROGATORY - 16

Reference:

1. [F-1, p.4]

Interrogatory:

Please provide a copy of all analysis and advice given by TD Bank to the Applicant regarding options for raising the long-debt, length of time of any debt issuance, expected debt rates, etc.

Response:

UCT 2 was advised by TD Securities throughout the debt financing process. This advisement began in late 2022 and continued until the placement was issued. Examples of analysis and advice of market options and rates are included in Attachments 1 through 3 to this response.

These analyses and advice are core to ensuring the best rate and term are achieved in the bond placement. As the debt placement advisor, TD Securities performed investor marketing on behalf of UCT 2. Central to these marketing efforts for the UCT 2 bond financing was a formal investor marketing period for investors in Canada. UCT 2 hosted a national investor conference call on March 27, 2023, to highlight key credit strengths and to maximize investor engagement.

Further information on the financing process is provided in the response to Staff IR-15(c) (Exhibit I-01-15).

SEC INTEROGATORY- 17

Reference:

1. [F-1, p.4]

Interrogatory:

With respect to the short-term debt:

- a. Please provide the key terms of the short-term credit facility.
- b. Please provide a copy of the short-term credit facility agreement.
- c. Please explain why it was reasonable to wait until May 2023 to enter into a short-term debt arrangement.

Response:

- a. See response to Staff IR-15(a) (Exhibit I-01-15).
- b. See response to Staff IR-15(a) (Exhibit I-01-15).
- c. Please refer to the response to Staff IR-47 (Exhibit 1-01-47) for additional details on the timeline required to negotiate BLP's initial equity percentage. UCT 2 secured the short-term credit facility at the same time as the long-term debt placement to minimize costs.

The short-term facility is variable. No potential cost savings would arise from securing this facility earlier than the long-term debt placement. For the reasons discussed in VECC IR-6(a) (Exhibit I-06-06(a)), UCT2 worked towards simultaneous closings of the BLP buy-in and debt financing (both long-term and short-term) transactions.

SEC INTEROGATORY- 18

Reference:

1. [F-1, p.9, Attachment 1]

Interrogatory:

Please explain what type of additional short-term debt, aside from the May 2023 credit facility, is required to finance the incremental capital sought for approval in this application.

Response:

The type and amount of additional short-term debt aside from the May 2023 credit facility is dependent on the outcome of this proceeding. After the OEB decision, UCT 2 will determine the most prudent option, which could include an increase to the capacity of the existing credit facility and/or going to the market to seek an additional Credit Facility to comply with the OEB prescribed capital structure.

SEC INTEROGATORY- 18

Reference:

1. [F-1, p.9, Attachment 1]

Interrogatory:

Please explain what type of additional short-term debt, aside from the May 2023 credit facility, is required to finance the incremental capital sought for approval in this application.

Response:

The type and amount of additional short-term debt aside from the May 2023 credit facility is dependent on the outcome of this proceeding. After the OEB decision, UCT 2 will determine the most prudent option, which could include an increase to the capacity of the existing credit facility and/or going to the market to seek an additional Credit Facility to comply with the OEB prescribed capital structure.