VECC INTERROGATORY- 01

Reference:

1. Exhibit A- Tab 4- Financial Statements, page 9

Preamble:

In 2023 NextBridge will present these [COVID-19] costs to the OEB for a prudence review and cost recovery disposition during which the OEB will determine whether costs should be recovered as capital, or through a regulatory asset amortization.

Interrogatory:

a) Please explain the difference in the two methodologies for recovery – i.e. capital or regulatory asset amortization. What would be the financial/cost difference between the two methods?

Response:

a) UCT 2 has sought recovery of the applied for costs as capital because these costs were necessary construction costs that were required to complete the Project, the costs were classified as Utility Plant, net (capital) in the 2022 audited financial statements prepared in accordance with US GAAP based on the requirements within ASC 360-10-30-1. This provision provides that “the historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use.”

   Further to the OEB Findings in Decision and Order EB-2020-0150 (page 37, para. 2), UTC 2 seeks to bring the COVID-19 costs forward to be treated as capital costs. As capital, these costs will be included within rate base and will recover depreciation expense over the life of the asset as well as a return based on the weighted average cost of capital.

   If the costs were treated for recovery as a regulatory asset, the costs would be recovered over the approved amortization period (typically 1-4 years). UCT 2 would seek to recover interest on the unamortized balance outstanding during the collection period at the prescribed interest rate for Approved Deferral and Variance Accounts. Under this approach, ratepayers will incur higher bills for the recovery period if the costs are treated as a regulatory asset compared with recovering them over the life of the capital assets.

Please see illustration of the difference in revenue impacts between the two methods below.

COVID-19 Treatment	**COVID-19 Base Rev Requirement Impacts**			
	2024	**2025**	**2026**	**2027**
Capital (1)	$8,311,781	$8,453,081	$8,596,784	$8,742,929
1 Year Reg Asset (2)	$122,214,010	$0	$0	$0
2 Year Reg Asset (3)	$64,379,437	$61,107,005	$0	$0
4 Year Reg Asset (3)	$35,462,150	$33,825,934	$32,189,718	$30,553,502

(1) Reference for 2024 value is Exhibit C, Tab 1, pg. 19, Table Ex.C.8. Base Rev Requirement for 2025-2027 includes 1.7% revenue cap index annually.

(2) COVID capital costs of $111,701,798 (Exhibit C, Tab 1, pg. 1, Table Ex.C.1) interest improved to December 31, 2023 at the OEB prescribed rate.

(3) Values include interest at the current OEB prescribed rate.

VECC INTERROGATORY -02

Reference:

1. Exhibit A- Tab 5, Table EX.AT5.3

2024 Total Bill Impacts for Distribution-Connected Customers

Description	**Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month**	**Typical General Service Energy (HONI GSe) Customer Consuming 2,000 kWh per Month**
Excluding One-Time Adjustments		
Total Bill as of January 1, 2023[6]	$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**
2024 change as a % of total bill	*0.12%*	*0.08%*
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**
2024 change as a % of total bill	*0.25%*	*0.17%*

Interrogatory:

a) Please provide the residential bill impacts (at 750kWh) for the following utilities: Toronto Hydro-Electric System Limited, Alectra Utilities Corporation, Hydro Ottawa Limited and London Hydro Inc.

Response:

a) The tables below provide residential bill impacts at 750 kWh for Hydro One (R1), Toronto Hydro, Hydro Ottawa, London Hydro, and each of Alectra's rate zones. Total Bills are calculated based on each LDC or rate zone's tariff schedule as of January 1, 2024.

Typical Residential Customer Bill Impacts	**Hydro One (R1)**	**Toronto Hydro**	**Hydro Ottawa**	**London Hydro**
Excluding One-Time Adjustments				
Total Bill as of January 1, 2024	$141.11	$143.44	$132.48	$125.71
RTSR included in Customer's Bill	$16.54	$15.98	$13.41	$13.73
Estimated 2024 Monthly RTSR with UCT 2	$16.70	$16.13	$13.55	$13.86
2024 increase in Monthly Bill	$0.16	$0.16	$0.14	$0.13
2024 increase as a % of total bill	*0.11%*	*0.11%*	*0.11%*	*0.10%*

Total 2024 Rates Revenue Requirement (including One-Time Adjustments)				
Total Bill as of January 1, 2024	$141.11	$143.44	$132.48	$125.71
RTSR included in Customer's Bill	$16.54	$15.98	$13.41	$13.73
Estimated 2024 Monthly RTSR with UCT 2	$16.88	$16.31	$13.72	$14.02
2024 increase in Monthly Bill	$0.34	$0.34	$0.30	$0.28
2024 increase as a % of total bill	*0.24%*	*0.24%*	*0.23%*	*0.22%*

Typical Residential Customer Bill Impacts	**Alectra BRZ**	**Alectra ERZ**	**Alectra GRZ**	**Alectra HRZ**	**Alectra PRZ**
Excluding One-Time Adjustments					
Total Bill as of January 1, 2024	$129.30	$131.85	$132.67	$132.36	$131.75
RTSR included in Customer's Bill	$15.20	$16.55	$14.24	$15.72	$12.52
Estimated 2024 Monthly RTSR with UCT 2	$15.35	$16.70	$14.37	$15.87	$12.67
2024 increase in Monthly Bill	$0.15	$0.15	$0.14	$0.15	$0.15
2024 increase as a % of total bill	*0.11%*	*0.12%*	*0.10%*	*0.11%*	*0.11%*
Total 2024 Rates Revenue Requirement (including One-Time Adjustments)					
Total Bill as of January 1, 2024	$129.30	$131.85	$132.67	$132.36	$131.75
RTSR included in Customer's Bill	$15.20	$16.55	$14.24	$15.72	$12.52
Estimated 2024 Monthly RTSR with UCT 2	$15.52	$16.88	$14.53	$16.05	$12.84
2024 increase in Monthly Bill	$0.32	$0.33	$0.29	$0.32	$0.32
2024 increase as a % of total bill	*0.25%*	*0.25%*	*0.22%*	*0.24%*	*0.24%*

London Hydro's tariff schedule is effective May 1, 2023, and all other LDC/rate zone tariff schedules are effective January 1, 2024. The “RTSR included in Customer’s Bill” figures reflect the September 28, 2023, preliminary 2024 UTR letter, except for London Hydro in which RTSRs are based on the December 8, 2022, UTR decision. For all total bill calculations, the RPP rates, the Ontario Energy Rebate, and regulatory charges are as of January 1, 2024.

VECC INTERROGATORY- 03

Reference:

1. Exhibit C-Tab 1

Preamble:

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

Interrogatory:

a) Is UCT 2 aware of any other large project constructors who used a similar methodology to adjust contract pricing during COVID 19, for example MetroLinx? If yes, please provide a description and reference for these entities. If not, please provide UCT2's understanding of any other similar large infrastructure projects and how they addressed COVID 19 incremental caused costs.

Response:

a) UCT 2 is aware of the studies and analyses set forth in the Socotec report and appendices thereto. UCT 2 is also aware of the Watay project and that its negotiations with the EPC Contractor regarding COVID-related costs are ongoing. UCT 2 has no knowledge of these negotiations except as they have been described in other filings Watay has made to the OEB.

VECC INTERROGATORY- 04

Reference:

1. Exhibit D, page 11

   Table Ex.D.6

   Incremental All-Season Access Road Costs Due to Wildfires

Description	Costs
Direct Construction Activities	$2,652,366
Maintenance Activities	$2,452,911
Gravel Procurement and Hauling	$842,521
Access Material Procurement	$740,405
Bridge Rentals	346,361
Seedlings	$448,378
Cost Subtotal	**$7,482,942**
Mark up (15%)	$1,122,441
Total Cost with Markup – Excluding demobilization	**$8,605,383**
Demobilization/Mobilization	$1,898,950
Total	**$10,504,333**

Interrogatory:

a) What is the basis (reason) for the 15% markup fee? If this relates to the Valard markup fee please explain why markup fees were applied to any force majeure incremental costs.

Response:

a) Please refer to response to Staff IR-27 (Exhibit I-01-27).

VECC INTERROGATORY- 05

Reference:

1. Exhibit D, page 28

Preamble:

"Permitting delays also 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 for labour crews, equipment, miscellaneous supplies and safety supervision."

Interrogatory:

a) Please clarify what is meant by "based unit pricing" and why this method of payment was significantly different in quantity than the original agreement of "time and material" pricing.

Response:

a) The original arrangement was for quantity-based unit pricing. Quantity based unit pricing refers to fixed cost unit rates that are often negotiated with subcontractors allowing them to receive a fixed compensation that is calculated based on measurable production. As it pertains to the Application, please see the response to Staff IR-40(e) (Exhibit I-01-40) for an explanation of the change to a daily time and material payment basis. The overall cost increase is due to the inefficiencies caused by the permit delays.

VECC INTERROGATORY- 06

Reference:

1. Exhibit F

Preamble:

"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."

Interrogatory:

a) It is unclear to us why financing arrangements were delayed pending completion of the equity position of BLP whereas other critical aspects of the project, including its substantial completion and the decision to incur substantial incremental costs liabilities were able to proceed prior to completion of the ownership arrangement. Please clarify.

b) Did UCT2 or its partners (e.g., Treasury Department of NextEra) complete a financing cost forecast based on a late 2021 or early 2022 date? If so please provide that forecast.

Response:

a) Please refer to the response to Staff IR–47 (Exhibit I-01-47) for additional details on the timeline required to negotiate BLP's initial equity percentage. To minimize risks to BLP's partnership approval and to minimize costs, UCT 2 delayed the financing until such time that the partnership agreements to include BLP were in executable form. By their nature, bonds have a very punitive prepay penalty. If UCT 2 had financed the project, and then brought BLP into the partnership later, bondholder approval would have been required, which would create a risk that the bonds would have needed to be prepaid with a large penalty and then a new debt facility sought. Thus, UCT 2 worked towards a simultaneous close of the BLP buy-in and debt financing.

b) UTC 2 completed a financing cost forecast in early 2022 based on March 2022 rates. See table below for estimated return.

March 2022				
Particulars	**Amount ($ M)**	**Capital Structure**	**Estimated Cost Rate (%) (1)**	**Estimated Return ($ M)**
Long-term debt	$431.4	56%	4.0%	$17.1
Short-term debt	$30.8	4%	1.8%	$0.6
Total	**$770.4**	**60%**	**3.8%**	**$17.7**

(1) See Response to Staff IR-49(d). Does not include impacts from bank fees as estimate was unknown at the time of forecast.