Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

July 12, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Wataynikaneyap Power LP (WPLP)
2022 Electricity Transmission Rates
OEB Staff Interrogatories

Ontario Energy Board File Number: EB-2021-0134

In accordance with Procedural Order No. 1 please find attached the OEB staff interrogatories for the above proceeding. This document has been sent to Wataynikaneyap Power LP and to all other registered parties to this proceeding.

Wataynikaneyap Power LP is reminded that its responses to interrogatories are due by July 30, 2021.

Yours truly,

Original Signed By

Michael Price
Project Advisor, Generation & Transmission

cc. WPLP and all intervenors

Encl.

Wataynikaneyap Power LP
2022 Transmission Rate Application
EB-2021-0134
OEB Staff Interrogatories
July 12, 2021

Please note, WPLP is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref.: Exhibit A, Tab 2, Schedule 1, page 7

Preamble

Following receipt of the Leave To Construct (LTC) Decision in April 2019, WPLP states that it completed all outstanding items required to initiate construction of its Transmission System. Notably, between April 2019 and December 2019, WPLP executed its EPC contract, secured project financing and federal funding commitments, acquired the necessary outstanding permits and approvals (including EA approvals and Far North Act exemptions), and acquired the necessary land rights required to initiate construction.

WPLP also stated it worked extensively in 2020 with Valard to assess the schedule implications arising from the COVID-19 pandemic, as well as mitigation efforts and associated cost and operational impacts.

Questions

a) Are there any outstanding items, including permits and approvals required, that may impact the timing of the construction of the Transmission System?

b) If there are any outstanding items, including permits and approvals required, that may impact the timing of the construction of the Transmission System, please specify which ones and the expected timeframe for acquiring them.

Staff-2

Ref.: Exhibit B, Tab 1, Schedule 5, page 28

Preamble

WPLP states that its inventory requirements are being informed by its Owner's Engineer, based on assessments of the probability of various failure scenarios for different types of assets and locations, and the types of assets that would likely need to be replaced under each of these scenarios. In order to balance the cost of inventory against the risk of failure, inventory requirements are based on the likely overall damage resulting from a single initiating event and do not consider extreme cases of concurrent failure in different areas.

Questions

a) What is the likelihood of extreme cases of concurrent failure in different areas? Please explain.

b) If there were an extreme case of concurrent failure in different areas, how does WPLP plan to bring all services back online?

Staff-3

Ref.: Exhibit B, Tab 1, Schedule 5, pages 7 to 14

Preamble

The Remote Connection Lines forecast is approximately $236 million (36%) more than the LTC cost estimate.

WPLP states that during the process of reviewing the proposals WPLP received through the competitive EPC procurement process, WPLP's Owner’s Engineer confirmed that the scope of work underlying the successful proposal was fully compatible with the design basis memorandum included in the RFP and that the risk profile was consistent with the RFP (i.e., no material risks were transferred to WPLP through the EPC contracting process). In reviewing the EPC contractor's proposal, WPLP undertook a careful analysis of the proposed costs relative to WPLP's preliminary estimates of the transmission line facility costs.

WPLP explains that these changes in the costs summarized in Table 3 are primarily a result of input from the EPC contractor based on “better and more

complete information" than was available at the time that the LTC was filed. A summary of this analysis is prepared in Table 4.

WPLP states that line location and constructability may have been stronger drivers of line facility costs than expected when the LTC cost estimate was prepared. Another key factor for the difference in cost estimation was that Valard and the other EPC proponents, in preparing their proposals, were able to rely on geomorphological studies, preliminary access plans and details of any constraints resulting from environmental and archaeological assessments.

Questions

a) Please provide the Owner's Engineer's reports confirming that the scope of work underlying the successful proposal was fully compatible with the design basis memorandum included in the RFP.

b) Please provide any available reports, such as those prepared by the Independent Engineer, Owner's Engineer or for WPLP's Board of Directors, that discuss or evaluate the change in the transmission line facility costs compared to the WPLP's LTC estimates.

c) Please provide any analysis done by WPLP to satisfy itself that the transmission line facility costs are appropriate.

d) Please provide a more detailed explanation of the "better and more complete information" obtained following the LTC. As part of the response, please identify the types of information and what they are used for, the impact the improved information had on the project budget (in dollars), and why that information was not available until after the LTC had been filed.

e) For each of the 35 transmission line sections, please provide, in table format, the original LTC transmission line section estimate compared to the current cost forecast. For any transmission line segments with cost increases of more than 10%, please briefly explain the reasons for the cost increase if it is not solely related to "better and more complete information" as already discussed in part d).

f) Please compare the updated transmission line costs with other transmitters' costs and discuss how WPLP has satisfied itself that its costs are reasonable.

Staff-4

Ref.: Exhibit B, Tab 1, Schedule 5, page 9 to 14

Preamble

The Remote Connection Stations forecast is approximately $128 million (77%) more than the LTC cost estimate.

WPLP states that in evaluating the EPC contractor's proposal WPLP reviewed the proposed station facility costs in an effort to identify the factors driving the differences from WPLP's preliminary estimates.

WPLP explains that these changes in the costs, summarized in Table 3, are primarily a result of input from the EPC contractor based on “better and more complete information” than was available at the time that the LTC was filed.

Based on its review, WPLP found that the main drivers of the differences between the LTC station cost estimates and the updated, EPC-based station cost breakdown have been the costs relating to civil and structural components. In particular, the key factors were found to be site access and preparation (road, clearing, grading, drainage, fill, etc.) and the costs of the constructing foundations.

Questions

a) Please provide the Owner’s Engineers reports confirming that the scope of work underlying the successful proposal was fully compatible with the design basis memorandum included in the RFP.

b) Please provide any available reports, such as those prepared by the Independent Engineer, Owner’s Engineer or for WPLP’s Board of Directors, that discuss or evaluate the change in station facility costs compared to the WPLP’s LTC estimates.

c) Please provide any analysis done by WPLP to satisfy itself that the station facility costs are appropriate.

d) Please provide a more detailed explanation of the “better and more complete information” obtained following the LTC. As part of the response, please identify the types of information and what they are used for, the impact the improved information had on the project budget (in dollars), and why that information was not available until after the LTC had been filed.

e) For each of the 22 stations, please provide in table format, the original LTC station estimate compared to the current cost forecast. For stations with cost increases of more than 10%, please briefly explain the reasons for the cost increase if it is not solely related to "better and more complete information" as already discussed in part d).

f) Please compare the updated station costs with other transmitters' costs and discuss how WPLP has satisfied itself that its costs are reasonable.

Staff-5

Ref.: Exhibit B, Tab 1, Schedule 5, page 28
Exhibit C, Tab 2, Schedule 1, page 11

Preamble

In Table 3, WPLP provides a summary of its current capital cost forecast and the variances to the capital cost estimate that was filed in its LTC application.[1] WPLP explained that the reduction in contingency is as a result of improved certainty arising from the EPC input and better information, and that the reduction in capitalized interest is as a result of favorable borrowing costs.

Questions

a) Please confirm if there is a contingency cost included in the stations and line segments that will be placed in service in 2022.

b) Will the contingency cost for the in-service stations and line segments be included in the rate base for 2022? If yes, please explain why?

Staff-6

Ref.: Exhibit B, Tab 1, Schedule 1, Appendix A, page 3

Preamble

One of the 15 transformer stations will serve North Spirit Lake and is being designed to accommodate the future connection of a 17th community, McDowell Lake First Nation.

[1] EB-2018-0190

Questions

a) Please explain how North Spirit Lake TS is being designed and constructed to accommodate McDowell Lake First Nation and provide a cost estimate for that extra work.

b) Please explain how these extra costs associated with North Spirit Lake TS will be recovered prior to the connection of McDowell Lake First Nation (assuming that happens)? Will the cost of the station contribute to the fixed monthly rate charged to Hydro One Remote Communities Inc. (HORCI)?

c) Please identify and provide cost estimates and anticipated in-service dates for any other assets that will be constructed materially in advance of them becoming used and useful. How will the costs of these assets be recovered?

Staff-7

Ref.: Exhibit B, Tab 1, Schedule 2, page 10
Exhibit B, Tab 1, Schedule 3, page 2, footnote 5
Exhibit A, Tab 3, Schedule 1, page 8, Table 1

Preamble

WPLP states that coordination with HORCI following the LTC Decision has primarily focused on facilitating backup supply arrangements and advancing agreements and arrangements for the transfer of distribution system assets to HORCI for communities currently served by Independent Power Authorities (IPAs). IPA transfer work has focused on advancing contractual agreements and permitting, as well as preparing and issuing design and construction tender packages for the necessary distribution system and facilities upgrades in each community.

WPLP states that its affiliate Opiikapawiin Services LP (OSLP), in collaboration with Indigenous Services Canada and HORCI, completed the development of template Asset Transfer Agreements and *Indian Act* Section 28(2) permits, which were reviewed with all IPA communities and their respective Tribal Councils in January 2020. The agreements and permits will be finalized on a rolling basis in parallel with distribution system upgrade activities in advance of each IPA community's scheduled in-service date.

WPLP reports the planned energization dates for each of the 16 Connecting Communities in Table 1 of Exhibit E-3-1.

Questions

a) Beyond finalizing agreements / permits and issuing tender packages, what actions is WPLP taking to ensure that the upgrade of the IPA systems is complete prior to their planned in-service dates?

b) Has the pandemic impacted the schedule and cost of the upgrades of the IPA systems? Please explain.

Staff-8

Ref.: Exhibit A, Tab 2, Schedule 1, page 2
Exhibit B, Tab 1, Schedule 5, page 4
Exhibit B, Tab 1, Schedule 3, page 2, footnote 4

Preamble

In consideration of the significant amount of construction activity and associated capital spending that is forecasted to take place in 2021 between the filing date of this Application and the expected date of the OEB's decision, WPLP intends to update its capital cost forecasts, as well as the related in-service additions and calculations of rate base presented in Exhibit C, at an appropriate time during the proceeding.

Due to the ongoing nature of the COVID-19 pandemic, WPLP anticipates that any such updates to its cost and schedule forecasts will also include consideration of any COVID impacts beyond those already discussed in the current application.

Questions

a) Please file WPLP’s updated capital cost forecasts. If WPLP cannot provide the updated capital cost forecasts now, please explain why not and please discuss when WPLP anticipates filing its update (e.g., prior to settlement conference or intervenor and OEB staff submissions).

Staff-9

Ref.: Exhibit B, Tab 1, Schedule 5, page 22
Exhibit B, Tab 1, Schedule 5, Table 3, page 8

Preamble

Once all of WPLP's capital cost forecasts were revised, the Owner's Engineer reviewed all cost estimates and completed a quantitative risk profile for WPLP using Monte-Carlo analysis for both EPC and non-EPC costs. The resulting contingency allowances at a P50[2] confidence level are summarized in Table 5. The updated contingency allowance is approximately 6.9% of WPLP's total estimated capital costs before contingency and AFUDC. This compares to the contingency amount in the LTC cost estimate, which was approximately 20%.

Table 5 – Contingency Allowances and EPC Change Order Costs ($000's)

Cost Category	Pre-Contingency Cost Forecast	Contingency (P50)	Contingency %
EPC Costs	1,432,779	113,324	7.9%
EPC Excluded + Other Infrastructure[8]	49,280	787	1.6%
Non-EPC Capital	188,680	1,532	0.8%
Contingency Allowance Subtotal	**1,670,738**	**116,103**	**6.9%**
EPC Change Order Costs		**2,108**	
Total Contingency + Change Order		**118,211**	

Questions

a) Please provide a brief overview of how the OE approached the Monte-Carlo analysis and provide a summary of how the findings were used to justify changes in the contingency associated with each line item in Table 3 on page 8 of Exhibit B-1-5.

b) For each line item in Table 3 on page 8 of Exhibit B-1-5, please indicate how much contingency has been used to date and for what specific purpose.

Staff-10

Ref.: Exhibit B, Tab 1, Schedule 5, page 24

Preamble

WPLP says its capital expenditure forecast to the end of 2023 includes approximately $36.75 million for investments in general plant assets that are

[2] This indicates that WPLP is using the Range Estimate Method to determine contingency. This method assigns a range of possible cost outcomes to cost elements and evaluates the probability of achieving the overall cost estimate. A "P50" has sufficient contingency to provide a 50% likelihood that the cost will not be exceeded.

required to own and operate the Transmission System but which were not included in the LTC capital cost estimate because they did not form part of the Transmission Project. These are investments that do not relate directly to the construction of electricity transmission lines or interconnection facilities and were therefore beyond the scope of that proceeding under Section 92 of the OEB Act. These capital costs are for facilities and assets such as control room facilities and operating centres, fleet, business systems and inventory. Table 6 provides a summary of these costs.

Table 6 - Other Infrastructure Capital Expendature Forecast ($000s)

Category	2021	2022	2023	Total Forecast
Facilities (Office and Work Centres)			27,000	27,000
Fleet		220	570	790
Business Systems			5,000	5,000
Initial Inventory, Tools and Equipment	1,320	1,320	1,320	3,960
Total	**1,320**	**1,540**	**33,890**	**36,750**

WPLP explains that, following the commencement of construction, WPLP's efforts were almost immediately refocused on managing operational, financial and schedule impacts associated with the COVID-19 pandemic. As such, limited progress has been made towards refining plans for other infrastructure requirements and associated cost estimates.

The largest cost category in Table 6, is for facilities. Of the $27 million, $11 million is for construction of WPLP’s main operating centre, $1 million is for a backup operating centre, and $15 million is for construction of three service centres at a cost of approximately $5 million each.

WPLP intends to evaluate options in 2021 for third-party or related-party provision of control room and other operating services for an interim period. WPLP expects that the results of this evaluation will influence the scope and timing of its longer-term strategy for control room operations, which could affect 2023 costs.

WPLP is seeking approval for approximately $2.9 million of its forecasted costs for other infrastructure to be included in its 2022 revenue requirement.

Questions

a) For each cost category in Table 6, please provide an explanation for how the cost estimate was developed (e.g., courtesy quotes, the experience of affiliates, comparator projects).

b) For each cost category in Table 6, please identify and explain any cost control measures that are being or will be used besides the oversight of the Owner's Engineer (e.g., competitive bidding process).

c) Given the "limited progress has been made towards refining plans for other infrastructure requirements and associated cost estimates", please explain why WPLP believes it is reasonable for the OEB to approve any part of the estimated costs in WPLP 2022 rate base as opposed to reviewing the actual costs as part of WPLP's 2024 rate application.

Staff-11

Ref.: Exhibit C, Tab 2, Schedule 1, page 8

Preamble

95.5 km of the WPQ line segment was constructed in 2018 as part of the 98.9 km 44 kV line that was constructed between Hydro One's 44 kV system near Red Lake and the Pikangikum TS. The remaining 20.3 km of 115 kV line is being constructed between the Red Lake TS and the existing 44 kV Pikangikum Line, after which the entire WPQ line segment will operate at 115 kV and be supplied from Hydro One's transmission system.

Questions

a) Please confirm that the WPQ line segment is fully funded by Indigenous Services Canada, including the 20.3 km which is being constructed between the Red Lake TS and the existing 44 kV Pikangikum Line.

b) Please confirm if WPLP is seeking recovery of any portion of the WPQ line segment from customers. If so, what section and amount?

Staff-12

Ref.: Exhibit D, Tab 1, Schedule 1, page 4
Exhibit A, Tab 1, Schedule 1, page 12

Preamble

WPLP will begin tracking information for typical scorecard measures related to safety, reliability, and costs during the construction period so that this information can be used in setting future performance expectations with consideration for any adjustments required to reflect the transition from construction to operation.

WPLP has proposed to finalize the initial draft scorecard when applying for the multi-year revenue requirement in 2024.

Questions

a) Please describe the plan to collect scorecard measure data and list the specific measures that will be tracked during the construction period.

b) Please explain how the scorecard measures will be adjusted during the transition from construction to operation.

Staff- 13

Ref.: Exhibit E, Tab 1, Schedule 1, page 3
EB-2018-0190, Exhibit B, Tab 2, Schedule 1, page 5

Preamble

In lieu of developing a load forecast based on weather-normalized historical data (which WPLP does not have at this point in time), WPLP took the following approach to forecast charge determinants:

1. Using demand forecast details from the 2018 backup power report completed by HORCI, WPLP identified annual peak demand forecasts for each First Nation community being connected to the Remote Connection Lines in 2022.

2. Using data from the weather-normalized load forecast model of the closest grid-connected LDC (Sioux Lookout Hydro) to determine the month associated with maximum purchases from IESO (January), and to determine the percentage of the January maximum purchases for every other month.

3. Applying the percentages in step 2 above as a proxy for estimating the percentage of annual peak demand for each First Nation community, for each month in 2022 that the load is expected to be in-service.

The resulting total 2022 forecasted charge determinants of 38.6 MW is included in the UTR calculation. WPLP expects to develop a more robust load forecasting method as it acquires a suitable amount of historical consumption data for the grid-connected communities.

In its leave to construct application, WPLP stated that, “The severe supply limitations and poor reliability of electricity service in the Connecting Communities causes very significant economic and quality of life impacts. These

conditions create barriers for pursuing business and economic development opportunities."

Questions

a) Does WPLP anticipate that there will be an increase in demand in the Connecting Communities after the they become connected to the Transmission System? Please explain.

b) Does WPLP account for any increase in demand in the Connecting Communities in its 2022 load forecast? If not, does WPLP account for any load growth in its overall load forecast? Please explain.

Staff-14

Ref.: Exhibit F, Tab 2, Schedule 1, pages 1-2

Preamble

The 2022 test year is the first year in which WPLP has transmission assets coming into service, and therefore it is the first year in which WPLP is seeking to recover OM&A expenses through its transmission revenue requirement.

The starting point for WPLP's cost driver analysis is $Nil for 2021 OM&A, therefore 2022 cost drivers are equal to 2022 OM&A Expenses. The 2022 total OM&A expense shown in Table 2 of F-2-1 will be used as the starting point for 2023 OM&A cost driver analysis in WPLP's application for approval of a 2023 test year revenue requirement.

Question

a) Please file a complete five-year OM&A forecast by replicating Table 2 for the years 2023 to 2025, if possible. If not possible, please explain what information is outstanding that prevents WPLP from providing a five-year OM&A forecast now.

Staff-15

Ref.: Exhibit F, Tab 2, Schedule 1, page 3
Exhibit B, Tab 1, Schedule 4, page 12

Preamble

WPLP provides a summary of its 2022 OM&A forecast in Table 2 of Exhibit F-2-1. The total direct operating expenses is approximately $4.3 million, which is broken down into:

- Approximately $0.8 million is related to third-party control room operation, which is based on a unit cost estimate for third-party services multiplied by the forecasted number of substations in service in each quarter.
- Approximately $2.3 million is for outage and emergency response, which is based on unit cost estimates and per substation costs for operating and maintaining the Pikangikum distribution system since 2019.
- Approximately $0.6 million related to routine line and substation inspection and maintenance activities, which is based on unit cost estimates and per substation costs for operating and maintaining the Pikangikum distribution system since 2019.
- Approximately $0.6 million for other costs that include fleet and insurance costs and a provision for materials issued from inventory during the performance of outage and emergency response.

WPLP does not provide an OM&A forecast beyond 2022. WPLP states that as assets come into service in varying amounts in 2022 and 2023, the number of assets to be operated, inspected and maintained will increase on a monthly basis. WPLP expects that any inspection and maintenance cycles will be evaluated and adjusted in consideration of actual inspection results, system performance and costs, which may lead to changes in its inspection and maintenance programs.

Questions

a) Please explain how the unit cost estimate for third-party control room services was obtained.

b) Please explain whether the unit cost estimates and per substation costs associated with outage and emergency response on the Pikangikum distribution system were adjusted in any way to reflect differences between those assets and the additional assets that will become operational in 2022.

c) Please explain whether the unit cost estimates and per substation costs associated with line and substation inspection and maintenance activities on the Pikangikum distribution system were adjusted in any way to reflect differences between those assets and the additional assets that will become operational in 2022.

d) Please explain how the fleet and insurance costs were estimated.

e) Please explain how the materials issued from inventory costs were estimated.

f) Please discuss how the various unit costs and other inputs used to calculate the direct operating expenses for 2022 are expected to change as additional assets come online and the Transmission System is completed.

g) Please discuss how WPLP's operating expenses compare to those of other Ontario transmitters such as HONI, Five Nations Energy, Canadian Niagara Power, B2MLP, NRLP and NextBridge LP. As part of the response, please indicate the source of any information discussed.

Staff-16

Ref.: Exhibit F, Tab 2, Schedule 1, pages 2-5

Preamble

WPLP provides a summary of its 2022 OM&A forecast in Table 2 of Exhibit F-2-1. As the construction phase of WPLP's Transmission Project progresses and assets come into service in 2022 and 2023, a progressively larger portion of these overhead costs transition from being directly attributable to capital development and construction activity to being attributable to the ongoing operation and maintenance of in-service assets. Accordingly, WPLP developed a methodology to allocate these costs between capital and OM&A, which is described in detail in Appendix 'A' of Exhibit B-1-5. Applying the allocation methodology to WPLP's 2022 forecasted overhead costs results in the following total indirect operating expenses of approximately $10.5 million, which is broken down into five categories of expenses:

- Approximately $5.4 million for labour costs, including related overheads
- Approximately $0.6 million for environmental and other consultants
- Approximately $2.2 million for Indigenous engagement and communications and stakeholder engagement
- Approximately $1.5 million for Indigenous participation and training
- Approximately $0.8 million for general administrative costs

Questions

a) For each of the five categories of expenses for indirect operating costs, please provide a detailed breakdown of the items and costs.

b) For each of the five categories of expenses for indirect operating costs please explain how WPLP determined that the costs allocated by its methodology are reasonable.

Staff-17

Ref.: Exhibit F, Tab 4, Schedule 1, page 2 of 4

Preamble

At the above reference, WPLP states:

> "The useful lives determined by WPLP are comparable to the range of useful lives used by other Ontario transmitters, as well as the ranges in the Asset Depreciation Study prepared by Kinectrics Inc., as shown in Table 3 below. For this comparison, WPLP used the useful life ranges as stated by CNPI, FNEI and GLPT (prior to being acquired by Hydro One). With the exception of towers and fixtures, WPLP adopted the same useful lives as CNPI Transmission."

Question

a) Please explain why WPLP decided not to include Hydro One in its list of other transmitters as benchmarks to compare asset useful lives.

Staff-18

Ref.: Exhibit H, Tab 2, Schedule 2, Pages 1, 8 to 12
EB-2018-0190 - Wataynikaneyap Power LP – Report - April 15, 2021 - Page 4 of 19

Preamble

At the first reference above WPLP states:

> "Once the World Health Organization declared the outbreak of the COVID-19 virus to be a pandemic and Ontario declared a state of emergency, WPLP identified a wide range of impacts in relation to the construction of the transmission system under its EPC contract with Valard and non-EPC activities in support of the transmission project.

WPLP requested further assessments in relation to alternative scenarios for managing the impacts of the pandemic on the project and then performed

multiple reviews of those scenarios (i.e., technical, financial, environmental, regulatory, customer impact, etc.) with input from its advisors."

In particular, with respect to WPLP's selection of its preferred alternative course of action following the onset of the pandemic, WPLP states:

> "…WPLP negotiated savings of $26.5M relative to the contractor's proposal of $84M for the package of changes under Scenario 4, thereby bringing the EPC cost of Scenario 4 down to $57.5M. When this negotiated EPC cost was considered together with the ongoing diesel generation supply costs under Scenario 4, WPLP determined that the net ratepayer impact of Scenario 4 would be $43.5M, which is $59M or 57% lower than the ratepayer impact under Scenario 1 as first presented to WPLP by Valard".

In consideration of the benefits available through the Independent Trust under the Federal Funding Framework, WPLP determined that Scenario 4 would maximize the benefits available to Ontario transmission ratepayers because it would result in more funds remaining in the Trust which could be used to offset future transmission rate impacts relating to the Remote Connection Lines.

At the second reference above, WPLP indicates:

> "As at December 31, 2020, WPLP has incurred $17 million in COVID-19 related costs and forecasts total COVID-19 related costs for the project of $72 million. Costs incurred to date reflect an accrual for COVID-related change order costs from WPLP's EPC contractor, as well as related legal and consultant costs."

Questions

a) Please provide additional details including a breakdown of costs for both the $17 million in COVID-19 related costs incurred in 2020 and for the forecasted $72 million total COVID-19 incremental costs.

b) Please confirm if the $72 million forecast for COVID-19 related costs includes the $17.4 million incurred as of December 31, 2020.

c) If, after negotiated savings, the costs of the preferred scenario 4 were brought down to $57.5 million, is the total impact of COVID-19 related costs $74.5 million (57.5 + 17.0)? Please explain.

d) Please explain if there are any contingencies included in the renegotiated costs of $57.5 million included in the preferred Scenario 4.[3]

e) Please explain and quantify the additional $14.0 million in savings that brings the net ratepayer impact of Scenario 4 down to $43.5 million from the EPC cost of $57.5 million.

f) Please explain and quantify how more funds remain in the Trust under Scenario 4 compared to the other 3 Scenarios.

Staff-19

Ref.: Exhibit A, Tab 3, Schedule 1, page 9 of 17
Exhibit H, Tab 2, Schedule 2, page 13 of 14
Exhibit H, Tab 1, Schedule 1, page 11-13 of 14

Preamble

At the first reference above, WPLP states:

> "Notwithstanding that WPLP's COVID-related costs are part of its construction costs for the Transmission Project, which it has been tracking separately in its CWIP Account, WPLP proposes to recover its COVID-related project costs as an expense added to the calculation of its 2022 and future revenue requirements rather than through the recovery of capital costs added to its rate base."

At the second reference above, WPLP provided additional details about the requested treatment for COVID-19 related costs.

> "Whereas reasonable and prudently incurred development and construction costs would typically be added to fixed asset accounts as assets come into service and are thereby added to the rate base upon which the utility is allowed to recover its cost of capital and depreciation expense over the life of the underlying assets, WPLP instead proposes to recover its incremental costs arising from the pandemic as an expense, with incremental costs incurred in each year being recovered over a two-year period commencing in 2022."

[3] EB-2021-0134, Exhibit 2, Tab 2, Schedule 2, page 11 of 14,

Questions

a) Please explain/confirm if the COVID-19 incremental costs were recorded as capital costs in WPLP's audited financial statements.

b) Other than WPLP's view that ratepayers should not be required to pay a return on the pandemic's costs, please elaborate further on why WPLP is proposing an alternative recovery treatment of these costs, as opposed to how they are typically classified.

c) What is the revenue requirement difference in 2022 between including the COVID-19 related costs in opening rate base (and recovering them as capital-related revenue requirement) and WPLP's proposal to expense these costs?

Staff-20

Ref.: Exhibit H, Tab 2, Schedule 2, page 10

Preamble

In its decision about how best to manage the impacts of the pandemic under the EPC contract, WPLP used a 2014 IESO study to assess the impacts of ongoing diesel supply costs for electric generation.

Questions

a) Please confirm that the current cost of diesel was used in the assessment (and not the cost of diesel as it was in 2014).

b) If the current cost was not used, please quantify the impact if current cost had been used.

Staff-21

Ref.: Exhibit G, Tab 1, Schedule 1, page 1, footnote 1
Exhibit H, Tab 2, Schedule 2, pages 12-13
Exhibit I, Tab 4, Schedule 1, page 5
EB-2018-0190, Exhibit J, Tab 1, Schedule 2

Preamble

WPLP states that the incremental costs it incurred because of the pandemic, both under the EPC contract and otherwise, are part of the development and

construction costs for the Transmission Project and are accommodated within the level of contingency previously budgeted.

WPLP states that whereas reasonable and prudently incurred development and construction costs would typically be added to fixed asset accounts as assets come into service and are thereby added to the rate base upon which the utility is allowed to recover its cost of capital and depreciation expense over the life of the underlying assets, WPLP instead proposes to recover its incremental costs arising from the pandemic as an expense, with incremental costs incurred in each year being recovered over a two-year period commencing in 2022.

WPLP states that, through the federal funding framework, WPLP has agreed to contribute equity based on the forecasted total cost of the project, subject to restrictions that could limit WPLP's maximum equity contribution.

WPLP states the portion of funding that would be provided to WPLP as a contribution in aid of construction (CIAC) will be determined by WPLP's total project costs. As WPLP's costs increase, the CIAC amount increases at a rate that reduces WPLP's deemed equity position in the project, thereby providing an incentive to control and reduce costs during construction.

In response to an interrogatory in the LTC [4], WPLP stated that the Funding MOU has a sliding scale based on approved capital costs, and that WPLP's equity position goes down as approved capital costs go up, provided Wataynikaneyap Power's equity does not go below $400 million.

Questions

a) Please confirm that the federal funding framework and the Funding MOU refer to the same thing. If not, please explain.

b) Please confirm that the "sliding scale" refers to the mechanism by which as WPLP's costs increase the CIAC amount increases at a rate that reduces WPLP's deemed equity position in the project. If not, please explain.

c) Please confirm that the term "approved capital costs" refers to the capital costs that the OEB approves for inclusion in WPLP's rate base, including any capital costs approved as a result of the current application. If not, please explain.

d) Please identify and briefly explain each of the possible consequences that could arise if WPLP were unable to recover its incremental costs arising from the pandemic as an expense? As part of the response, please explain in

[4] EB-2018-0190, J-Staff-46

detail the sliding scale mechanism in the government funding agreement including comments on any restrictions.

e) Please explain any ratepayer benefits of WPLP's proposed approach to recover incremental costs arising from the pandemic as an expense.

Staff-22

Ref.: Exhibit A, Tab 3, Schedule 1, page 14

Preamble

Through the federal funding framework, WPLP has agreed to contribute equity based on the forecasted total cost of the project, subject to restrictions that could limit WPLP's maximum equity contribution. Such limits do not limit WPLP's ability to contribute 40% equity during the 2022 Test Year. To the extent that WPLP's equity contribution is limited to less than 40% in a future year, this will be addressed in WPLP's revenue requirement application for the relevant Test Year.

Questions

a) Please explain any restrictions of the federal funding framework that could limit WPLP's maximum equity contribution to less than 40%.

Staff-23

Ref.: EB-2016-0262 – Decision and Order, March 23, 2017, page 11
Exhibit H, Tab 1, Schedule 1, page 3 of 13
Exhibit H, Tab 2, Schedule 1, page 3 of 14

Preamble

With respect to funds received from the former Indian and Northern Affairs Canada (INAC, now Indigenous Services Canada), WPLP stated that "None of the funding was provided to assist any party in providing a contribution to WPLP for any part of the construction of the Transmission System, and none of the funding was provided to CCEG or OSLP with any expectation that the provision of such funding would offset the cost of the Transmission Project for resulting rates for ratepayers."

In addition, at the decision and order referenced above, the OEB states:

> The OEB finds that the funding sub-account identified in the accounting order should include all funding for development activities received from sources other than WPLP, and not just those funds "applied for and received by WPLP". If the costs associated with an activity are recorded in the deferral account, then it is appropriate that the revenues received to fund the activity must also be recorded in the revenue deferral account. WPLP must record all funding received for development activities for the Project from November 23, 2010.

At the second reference above, WPLP states:

> As identified in Exhibit C-2-1, WPLP is allocating all of its indirect capital costs (including development costs) to fixed asset accounts as assets come into service, in proportion to the direct capital costs associated with each asset.

At the third reference, WPLP states:

> The total audited balance in the Funding Sub-Account as at December 31, 2020 is $12,919,100.
>
> …Given the nature of the amounts recorded, which is described in detail below, WPLP does not propose that any amounts from the Funding Sub-Account be applied as offsets to the development or construction costs of the Transmission Project. WPLP therefore requests that the Funding Sub-Account be discontinued.
>
> It is important to first consider which entities received the funding amounts that have been recorded in the Funding Sub-Account. Significantly, none of the amounts recorded in the Funding Sub-Account reflect funds that were provided to WPLP as the licensed transmission utility or to its general partner Wataynikaneyap GP. Rather, as shown in Appendix `A', all recorded funds were provided to two entities – the Central Corridor Energy Group (CCEG) and Opiikapawiin Services LP (OSLP).

Questions

a) Please confirm if the $12.9 million is reflected in WPLP's 2020 audited financial statements and, if so, what line item those costs are reflected in.

b) Please confirm that CCEG and OSLP have transferred the $12.9 million funding to WPLP. If not, please explain.

c) If as stated above, WPLP allocated indirect capital costs (including development costs) to fixed asset accounts as assets come into service, please explain why the funds received for development costs should not offset the costs incurred.

Staff-24

Ref.: Exhibit A, Tab 5, Schedule 2, pages 2-3
Exhibit H, Tab 2, Schedule 1, page 7

Preamble

On September 28, 2017, the OEB granted the distribution licence (EB-2017-0236) for a 5-year term until September 28, 2022. Based on the current project schedule, it is anticipated that the Pikangikum distribution line will be converted to form part of the Transmission System in Q2 2022.

The Pikangikum Distribution System Deferral Account was established effective from the December 20, 2018 in-service date for the distribution system until such time as it is converted to form part of WPLP's Transmission System (expected in Q2 2022). WPLP proposes to dispose of $2,046,966, being the audited December 31, 2020 balance inclusive of carrying charges.

Question

a) Does WPLP still expect that the Pikangikum distribution line will be converted to form part of the Transmission System prior to the expiry of its distribution licence. If no, please advise if WPLP anticipates applying for an extension of its distribution licence.

b) Please provide the audited December 31, 2020 balances in each of the sub-accounts for the Pikangikum Distribution System Deferral Account. Please compare the audited amount to the forecast costs, if applicable, and explain any difference of more than 10%.