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BY EMAIL

September 16, 2022

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

Dear Ms. Marconi:

**Re: Wataynikaneyap Power LP (WPLP)
2023 Electricity Transmission Rates
OEB Staff Interrogatories**

Ontario Energy Board File Number: EB-2022-0149

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 October 6, 2022.

Yours truly,

Michael Price
Senior Advisor, Generation & Transmission

cc. WPLP and all intervenors

Encl.

**Wataynikaneyap Power LP (WPLP)
2023 Transmission Rate Application
EB-2022-0149
OEB Staff Interrogatories
September 16, 2022**

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 3

Preamble

WPLP states that under its current project schedule, the Line to Pickle Lake is expected to come into service in August 2022. WPLP proposes that the OEB incorporate the associated revenue requirement for the Line to Pickle Lake into the updated UTRs for existing transmitters effective January 1, 2023.

Question(s)

- a) Please confirm when the Line to Pickle Lake comes into service. If the line does not come into service during the proceeding, please advise when it is expected to come into service.

Staff-2

Ref.: Exhibit A / Tab 4 / Schedule 1 / page 1
Exhibit A / Tab 5 / Schedule 2 / pages 2-3

Preamble

Based on the current project schedule, it is anticipated that the Pikangikum First Nation will be connected to WPLP's transmission system mid to late August 2022, at which point the Pikangikum distribution line will form part of the Transmission System that is the subject of WPLP's electricity transmission

licence. Once this conversion takes place, WPLP intends to request cancellation of its electricity distribution licence.

Question(s)

- a) Please advise whether the Pikangikum First Nation has been connected to WPLP's Transmission System. If it has not been connected, please provide an updated schedule.

Staff-3

Ref.: Exhibit B / Tab 1 / Schedule 1 / page 10
Exhibit B / Tab 1 / Schedule 3 / page 6

Preamble

WPLP states that it has made certain routing refinements, primarily in five locations increasing the line length from 1736 km to 1744 km.

WPLP states the risk that further routing changes are required based on cultural or environmental sensitivities or constraints identified during ongoing engagement activities, or through field observations leading up to construction in each area has been significantly mitigated as most of the final routing has been determined and agreed to by the relevant stakeholders and First Nation communities. There only remain a couple of outstanding routing refinements, primarily around the 25kV and 44kV lines.

Question(s)

- a) Please provide a full list of routing changes that have been made.
- b) What has been the impact, if any, of the routing changes on the substations?
- c) Please clarify whether the routing changes outlined in a) have been made to address concerns raised by Indigenous communities, to address concerns raised by other stakeholders or to address construction related challenges.
- d) What is the total cost impact associated with the routing changes? Please provide a breakdown aligning with the list provided in a).
- e) Please provide detailed information of the outstanding routing refinements under consideration.

- f) Please provide any additional forecasted costs including use of contingency amounts for each of the outstanding line sections and stations.
- g) Please provide any expected impacts on energization dates for each of the outstanding line sections and stations.

Staff-4

Ref.: Exhibit B / Tab 1 / Schedule 2 / pages 12-13

Preamble

The reference outlines WPLP's efforts in regard to Indigenous and Métis engagement.

Question(s)

- a) Please provide a detailed breakdown of WPLP's 2023 costs in relation to Indigenous and Métis engagement (including training). Please note whether the cost category is related to capital, OM&A or overhead. Also provide as much detail as possible associated with each cost category, including, number of in-person meetings, number of community radio shows, number of training sessions, number of trained individuals and other relevant details.

Staff-5

Ref.: Exhibit B / Tab 1 / Schedule 3 / Table 2 / pages 3-4
Exhibit B / Tab 2 / Schedule 1 / Appendix B / page 3

Preamble

WPLP's current in-service schedule by line segment and station is presented in Table 2. Table 2 includes the in-service schedule for 9 line segments of the Red Lake Remote Connection Lines.

Appendix B includes a summary of WPLP line segments which includes 15 line segments for the Red Lake Remote Connection Lines.

Question(s)

- a) Please update Table 2 to include the in-service schedule for the 15 line segments of the Red Lake Connection Lines shown in Appendix B.

Staff-6

Ref.: Exhibit B / Tab 1 / Schedule 3 / pages 2-3

Preamble

The reference outlines expected energization dates by community for the project. The reference notes that delays in certain of the community energization dates are primarily driven by: (1) multiple forest fires in the summer of 2021 within the project site, (2) cumulative COVID-19 impacts and (3) delays in construction progress in the 2022 winter construction season.

Further, the reference specifically notes that the Kasabonika Lake community and the Wunnumin Lake community are currently expected to be energized 9 months and 12 months earlier than previously expected, respectively.

Question(s)

- a) Specific to energization dates noted in Table 1, please explain the assumptions made with regards to forest fires during Summer 2022 and Summer 2023. In the response, please detail the extent to which the possibility of forest fires has been incorporated into the schedule. If applicable, please identify the source of information.
- b) Specific to energization dates noted in Table 1, please explain the assumptions made with regards to potential delays in construction due to the winter seasons in 2023 and 2024. In the response, please detail the extent to which construction delays have been incorporated into the schedule. If applicable, please identify the source of information.
- c) Please explain the reasons for earlier than expected energization of the Kasabonika Lake community and the Wunnumin Lake community.

Staff-7

Ref.: Exhibit B / Tab 1 / Schedule 3 / pages 2-3

Preamble

WPLP states that on May 30, 2022, it received a further updated project schedule from its EPC Contractor reflecting all factors known as of that date. That schedule represents the most current available project schedule and has therefore been used as the basis for this Application.

Question(s)

- a) In consideration of the significant amount of construction activity and associated capital spending that is forecasted to take place between May 30, 2022, and the expected date of the OEB's decision, does WPLP intend to update its capital cost forecasts, OM&A forecasts, in-service additions (and the impacts of changes to in-service additions on the calculation of rate base and load forecast), or any other material changes, at any time during the remainder of the proceeding? If so, please specify when WPLP anticipates filing its update.

Staff-8

Ref.: Exhibit B / Tab 1 / Schedule 3 / pages 5-6
Exhibit B / Tab 1 / Schedule 5 / pages 16-17

Preamble

In the first reference, WPLP states that risks from material and equipment delivery and from routing changing have been significantly mitigated.

In the second reference, WPLP states that based on the Owner's Engineer's latest Quantitative Risk Analysis (QRA), no change to contingency requirements has been made for the remaining construction period at this time.

Question(s)

- a) Please provide the latest report or analysis related to the Owner's Engineer's QRA.
- b) Please provide a breakdown of the contingency category and for each sub-category, please indicate the specific allocation and how much of it has been used to date.
- c) Please elaborate on why the contingency category cannot be further reduced given WPLP has indicated that the risks associated with material and equipment delivery and with routing changes have been significant mitigated.

Staff-9

Ref.: Exhibit B / Tab 1 / Schedule 4 / page 13

Preamble

WPLP states that further to the ongoing inspection, maintenance and emergency response procurement process, to satisfy the immediate need for 24/7 control operations, WPLP is in the process of negotiating an agreement for Hydro One Networks Inc. to provide control room services for an interim period until such time that WPLP develops its own control room.

Question(s)

- a) Please advise when the control room services are expected to come into service.
- b) What is the expected duration and annual cost of the interim control room services?
- c) When does WPLP anticipate having its own control room in service?

Staff-10

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 3

Preamble

WPLP cost categories include EPC-Contract costs (including incremental construction costs related to COVID-19), Non-EPC Capital costs, overhead costs, direct O&M costs, and contingency costs. Through a changing order process, these costs are updated to reflect changes impacting the overall project execution. In reference to incremental COVID-19 costs, change orders and contingency costs:

Question(s)

- a) Please explain how these costs are categorized, identified, and accounted for to avoid duplication.
- b) Please elaborate on the contingency costs and how these costs are identified.

Staff-11

Ref.: Exhibit B / Tab 1 / Schedule 2 / pages 11-12

Preamble

In the context of Independent Power Authorities (IPAs), WPLP states that target completion dates for all construction activities and other transfer requirements and conditions are aligned with the target in-service dates for each community. WPLP further states that Asset Transfer Agreements and Section 28 (2) permits will be finalized on a rolling basis in parallel with the completion of those activities for each community.

Question(s)

- a) Please provide an update on the timing of when the Asset Transfer Agreements and Section 28(2) permits will be finalized. Please also explain whether there is any risk these items will not be finalized prior to the scheduled in-service dates for the IPA communities. If so, please outline the potential implications of such a risk materializing.
- b) Are there any other outstanding items, including permits and approvals required, that may impact the timing of the construction of the Transmission System? If so, please specify which ones and the expected timeframe for acquiring them.

Staff-12

Ref.: Exhibit B / Tab 1 / Schedule 5 / pages 8-10

Preamble

EPC costs for transmission line facilities are \$18.3 million higher when compared with WPLP's 2022 rate application forecast, while EPC costs for station facilities are \$6.4 million higher.

WPLP states that the difference is attributable to executed and expected change orders related to forest fire impacts and route changes for the remainder of the construction period.

Question(s)

- a) Please provide a breakdown of the increase in EPC costs associated with the transmission line facilities and station facilities separately for the Line to Pickle Lake and the Remote Connection Lines. Below is a sample template to provide the information.

	Total Variance(\$000s)	Variance Attributable to Forest Fire Impacts	Variance Attributable to Route Changes
Transmission Line Facilities- Line to Pickle Lake	1,861		
Transmission Line Facilities- Remote Connection Lines	16,434		
Station Facilities- Line to Pickle Lake	1,783		
Station Facilities- Remote Connection Lines	4,612		

- b) What steps did WPLP and its Owner's Engineer take to satisfy themselves that the increase in EPC costs for transmission line facilities are appropriate? Please also provide any available reports that discuss or analyze the cost increases.
- c) For each of the 10 transmission line sections going into service in 2023, please provide in table format the 2022 rate application as amended estimate compared to the current cost forecast. For any transmission line segments with cost increases of more than 5%, please briefly explain the reasons for the cost increase and whether it is related to forest fire impacts, route changes or other factors.
- d) What steps did WPLP and its Owner's Engineer take to satisfy themselves that the increase in EPC costs for station facilities are appropriate? Please also provide any available reports that discuss or analyze the cost increases.
- e) For each of the 5 stations going into service in 2023, please provide in table

format the 2022 rate application as amended estimate compared to the current cost forecast. For stations with cost increases of more than 5%, please briefly explain the reasons for the cost increase and whether it is related to forest fire impacts, route changes or other factors.

Staff-13

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 17 / Table 5
Exhibit A / Tab 3 / Schedule 1 / page 20

Preamble

As at May 31, 2022, WPLP had executed or was in the process of executing EPC change orders in the amount of \$24.7 million, leaving a contingency allowance of \$93.5 million.

A contingency amount of \$48,075,777 was removed from the 2022 rate base and deferred and tracked in the Deferred Contingency Deferral Account (DCDA). WPLP has proposed an additional contingency amount be removed from the 2023 rate base and deferred and tracked in the DCDA for a total amount of \$65,375,502.

The settlement agreement stated that future transmission rate applications, for years in which additional transmission line segments and stations will be placed into service, will include detailed information on variance and the use of contingency amounts for such line segments and stations being placed into service, relative to both the values presented in the respective application and the values that were presented in Leave to Construct (LTC) proceeding.

Question(s)

- a) Please provide how much of the contingency amount of \$48,075,777 is included in the \$24.7 million of change orders in Table 5. Please explain if and by how much this will impact the DCDA for the amount removed from the 2022 rate base.
- b) Please confirm the expected amount of the \$93.5 million contingency remaining after the 2022 and 2023 amounts have been removed from the rate base. Please explain if this is considered adequate and if so why, to cover all remaining contingencies until the transmission system is in-service.

- c) Please provide the contingency amount for each of the 10 line sections and 5 stations that are expected to come into service in 2023 including detailed information on variance and the use of contingency amounts relative to both the values presented in this application and the values that were presented in the LTC proceeding.

Staff-14

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 17

Preamble

WPLP shows a total Contingency plus Change Order costs of \$118.2 million stating that as identified risks to the project materialize into change orders, or the likelihood and/or magnitude of impacts decrease through the Quantitative Risk Assessment process, contingency is reduced.

Question(s)

- a) Based on the above statement, please confirm the contingency cost is to be reduced by \$24.7 million and the total contingency cost is now calculated as \$68.8 million (\$93.5 million-\$24.7 million). If not, please explain why not.

Staff-15

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 8 / Table 3
Exhibit B / Tab 1 / Schedule 5 / pages 13-16

Preamble

Non-EPC capital costs for the “Engineering, Design, Project/Construction Management & Procurement” category are approximately \$6.3 million lower when compared with the equivalent estimate in the 2022 rate application.

Non-EPC capital costs for the “Land Rights” category are approximately \$1.4 million lower when compared with the equivalent estimate in the 2022 rate application. WPLP attributes the lower costs in this category to delays in incurring certain land costs due to changes in the construction schedule.

Question(s)

- a) Please explain why the non-EPC costs for the “Engineering, Design, Project/Construction Management & Procurement” category are lower. If there are multiple drivers involved, please provide a breakdown attributing the cost reduction with the appropriate driver.
- b) Please elaborate further on the reduced non-EPC cost estimate for the “Land Rights” category.
- c) Which specific “lands” is the reduction attributable to?
- d) Please explain how “delays in incurring certain land costs” is resulting in reduced land rights costs for the full project.
- e) When does WPLP expect to incur the delayed land costs?

Staff-16

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 8 / Table 3
Exhibit B / Tab 1 / Schedule 5 / pages 18-22

Preamble

Capital costs related to the capitalized interest category are approximately \$14.1 million higher when compared with the equivalent estimate in the initial rate application. WPLP states that the increase in costs are primarily due to changes in construction schedule leading to assets going in-service at a later date and thereby causing more interest to be capitalized. WPLP also notes that rising interest rates are also causing costs to increase.

Capital costs related to the “Other Infrastructure” category are approximately \$27.3 million lower when compared with the equivalent estimate in the initial rate application. The reduction in costs is mainly attributable to a delay in the construction of WPLP’s main operating centre, backup operating centre and two service centres. WPLP states that these specific facilities will be constructed and put into service outside of the Project construction period.

Questions

- a) What portion of the \$14.1 million increase in capitalized interest costs is attributable to construction schedule changes and what portion is attributable to interest rate increases?

- b) WPLP states that the reduction in costs for the “Other infrastructure” category are mainly attributable to a delay in the construction of WPLP’s main operating centre, backup operating centre and two service centres. When does WPLP expect to have these facilities in service? What would be the cost impact of the delayed construction of these facilities?

Staff-17

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 23 / Appendix A / Table A-1

Preamble

The above reference outlines WPLP’s forecast of its general overhead costs. The references notes that “Overhead costs are comprised of costs such as internal labour (including departmental costs and overheads), services provided by third party consultants and professionals of a general nature, costs related to continued Indigenous engagement and participation in the project, general administrative costs and stakeholder engagement costs”.

Question(s)

- a) Please provide additional details with regards to the overhead costs outlined in Table A-1. When responding please provide a more detailed breakdown of the different categories listed.
- b) For each of the subcategories, please provide a description of work associated and an explanation as to why it has been categorized as “general” costs, as opposed to capital or operating costs.

Staff-18

Ref.: Exhibit C / Tab 6 / Schedule 1
Exhibit B / Tab 1 / Schedule 5 / page 26

Preamble

In reference 1, WPLP stated that costs included in the carrying amount of property, plant and equipment include expenditures that are directly attributable to the acquisition or construction of the asset. In reference 2, as part of Table A-

4, Indigenous Engagement and Communications costs and Indigenous Participation and Training costs have been capitalized.

Question(s)

- a) Please explain how are the expenditures described in reference 2 directly attributable to the construction of the assets?

Staff-19

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 26

Preamble

WPLP indicates the allocation of forecasted overhead costs result from applying the allocation and capitalization factors from Table A-3 to the overhead costs in Table A-1. The results are summarized in Table A-4. OEB staff modified a version of Table A-4 including the percentages of overheads capitalized vs expensed (OM&A) that are calculated by OEB staff.

Table A-4 (modified) Allocation of Forecasted Overhead Costs

Category	Item	A	B	C	D	E
		Forecasted Overhead Costs 2019-2024 (\$000's)				
		Capital	%	OM&A	%	Total
Overhead	Labour and Departmental Costs	\$33,503	64.7%	\$18,319	35.3%	\$51,822
	Environmental Services	\$4,598	86.2%	\$735	13.8%	\$5,332
	Other Consultants (Allocate)	\$5,717	78.0%	\$1,609	22.0%	\$7,326
	Indigenous Engagement & Communications	\$11,738	64.6%	\$6,442	35.4%	\$18,180
	Stakeholder Engagement	\$426	79.3%	\$111	20.7%	\$537
	Indigenous Participation and Training	\$14,134	71.5%	\$5,637	28.5%	\$19,771
	Administrative Costs	\$6,224	70.4%	\$2,614	29.6%	\$8,838
	Total	\$76,339		\$35,468		\$111,806

Question(s)

- a) The percentages calculated by OEB staff in the Table above do not reconcile with those presented in Table A-3 included in the filed evidence. Please explain why the percentages presented in the Table above are different from those in Table A-3.

Staff-20

Ref.: Exhibit C / Tab 2 / Schedule 1 / pages 2 to 4 / Table 1

Preamble

Table 1 outlines 2023 transmission system in-service additions by asset. Line WJK has a cost of \$0.68 million per km, Line DE has a cost of \$0.74 million per km and Line KL (115 kV - Wawakapewin TS to Kasabonika TS) appears to have a cost of \$0.57 million per km estimated based on the values in Tables 1 and 3.

Question(s)

- a) Please comment on why Line WJK (115 kV- Kingfisher Lake TS to Wawakapewin TS) and Line DE (115 kV- North Caribou Lake TS to Muskrat Dam TS) appear to have a higher cost per km relative to the other lines.
- b) Please comment on why Station E (Muskrat Dam TS) and Station L (Kasabonika Lake TS) have a higher cost than the other stations in Table 1.

Staff-21

Ref.: Exhibit C / Tab 2 / Schedule 1 / Tables 5 to 9

Preamble

WPLP states that the cost impacts of the 2021 forest fires are not yet known as WPLP and Valard continue to negotiate the proposed Change Orders.

Question(s)

- a) Please confirm if the cost impacts of the 2021 forest fires have been finalized. If so, please update Tables 5 to 9 accordingly.
- b) If not, please advise as to when WPLP expects the 2021 forest fire costs to be finalized.

Staff-22

Ref.: Exhibit C / Tab 2 / Schedule 1 / page 14 / Table A-2

Preamble

WPLP provides for each of the lines segments and stations placed in service in 2023 the proportional allocation of general capital costs, change orders and additions to fixed asset accounts in Table A-2.

WPLP, in its initial rate application¹, provided for each of the line segments and stations to be placed in service in 2022 the proportional allocation of general capital costs, change orders and additions to fixed asset accounts in Table A-2.

Question(s)

- a) Please provide the contingency amounts for each of the lines segments and stations placed in service in 2023.
- b) Please update the additions to fixed asset accounts in Table A-2 to include the contingency amounts.
- c) Please explain any material variances between the updated additions to fixed asset accounts for each line segment and station in question b) to be placed into service in 2023 and the additions to fixed asset account in the initial April 2021 rate application. (Exclude line segments KL and L1 and station L)

Staff-23

Ref.: WPLP_C-3-1_2023 FA Cont_Depr Sch_20220706.xlsb

Question(s)

- a) Please explain the nature of the disposal amount captured in cell F47 tab 2022 Combined of the reference.

Staff-24

Ref.: Exhibit E / Tab 1 / Schedule 1 / pages 3-4

Preamble

The above reference outlines WPLP's approach to load forecasting

¹ EB-2021-0134, April 28, 2021

Question(s)

- a) Please comment on the extent to which data and information from Independent Power Authorities (IPAs) has been used to develop WPLP's load forecasts.

Staff-25

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

Preamble

The 2023 test year is the second year in which WPLP has transmission assets coming into service, and therefore it is the second year in which WPLP is seeking to recover OM&A expenses through its transmission revenue requirement.

WPLP has no historical rate years and provides variance analysis only in respect of the changes in OM&A expenses from the 2022 bridge year to the 2023 test year.

The 2022 total OM&A expense shown in Table 2 of F-2-1 are 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(s)

- a) Please file a complete five-year OM&A forecast by replicating Table 2 for the years 2024 to 2026, if possible. If not possible, please explain what information is outstanding that prevents WPLP from providing a five-year OM&A forecast now.

Staff-26

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

Preamble

WPLP provides a summary of its 2023 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 during the 2022-2024 period, 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. 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 2023 forecasted overhead costs results in the following total indirect operating expenses of approximately \$12.5 million, which is broken down into five categories of expenses:

- Approximately \$6.3 million for labour costs, including related overheads
- Approximately \$0.9 million for environmental and other consultants
- Approximately \$2.3 million for Indigenous engagement and communications and stakeholder engagement
- Approximately \$2.1 million for Indigenous participation and training
- Approximately \$0.9 million for general administrative costs

Question(s)

- 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-27

Ref: Exhibit F / Tab 1 / Schedule 1 / Appendix A / pages 1-4

Preamble

The Application states that WPLP's annual OM&A unit cost is 24.5% higher than the sample median in 2023 and ranging from 18.7% to 32.4% above the sample median during the 2024-2026 period. The Application states that, in Clearspring's view, the OM&A unit cost results appear reasonable given the operating challenges of WPLP.

Question(s):

- a) Please provide detailed calculations of OM&A (\$2016) per km of transmission line for WPLP's 2023 Projected Value and the sample median, including each transmitter in the comparison group, for the Table on page 2 of the reference.

- b) Please provide detailed calculations of OM&A (\$2016) per transmission station for WPLP's 2023 Projected Value and the sample median, including each transmitter in the comparison group, for the Table on page 3 of the reference.
- c) Please provide detailed calculations of OM&A (\$2016) per Output Quantity Index for WPLP's 2023 Projected Value and the sample median, including each transmitter in the comparison group, for the Table on page 4 of the reference.
- d) Please provide a revised version of the Table on page 4 of the above noted reference using only Hydro One and Five Nations Energy to calculate the sample median. Please provide the supporting calculations.
- e) Please confirm the percentage above the sample median for both transmission lines and stations at which the OM&A unit expenses for WPLP would be considered unreasonable. Please provide the rationale.

Staff-28

Ref: Exhibit F / Tab 1 / Schedule 1 / Appendix A / pages 4-5
Exhibit F / Tab 2 / Schedule 1 / page 3 / Table 2

Preamble

At the first reference, the Clearspring Report states that the territory covered by WPLP's transmission system is more challenging than the typical territory covered by a Canadian transmitter included in the sample group in the OM&A benchmarking study. The Application states the following seven business condition challenges WPLP faces that the OM&A benchmarking did not adjust for: high input prices to serve remote areas, high forestation levels, remoteness, extreme weather conditions, the lack of both economics of scale and economies of scope, the transmission line spanning a large territory, and the age of WPLP's asset.

Question(s):

- a) Please estimate the annual cost for each of the seven business condition challenges WPLP faces.
- b) Please advise if the activities related to the costs associated with Indigenous engagement and communication and Indigenous participation and training in

the second reference have been a factor in contributing to higher OM&A costs for WPLP relative to other transmitters in the sample group. If so, please provide the impact of these activities for WPLP and each of the utilities in the comparator group.

Staff-29

Ref.: Exhibit F / Tab 3 / Schedule 1 / Appendix A / page 9

Preamble

The Application states that the Korn Ferry Hay job evaluation method is a form of factor comparison based on the notion that jobs can be measured on the basis of their relative contribution to the overall objectives of the organization. The Application notes that Korn Ferry uses the following four factors in the analysis: Know-How, Problem Solving, Accountability, and Working Conditions.

Question(s):

- a) Please describe how the four factors are applied in the Korn Ferry Hay method. Please provide an example.

Staff-30

Ref.: Exhibit H / Tab 2 / Schedule 1 / page 2

Preamble

WPLP states it has recorded COVID construction costs of \$17,399,682 incurred during 2020 and \$42,096,982 incurred during 2021.

Question(s)

- a) Please provide additional details including a more detailed componentization of COVID-19-related costs.
- b) Please comment on the prudence of these costs and what steps WPLP had taken to mitigate them.

Staff-31

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 3
EB-2021-0134 Exhibit H / Tab 2 / Schedule 2 / page 13 / footnote 5

Preamble

Regarding the disposition of the COVID Construction Costs Deferral Account (CCCD), WPLP stated that Valard identified three main categories of impacts affecting its ability to execute the project at the cost and in accordance with the schedule agreed to in the EPC contract: (a) compliance with COVID-19 health and safety measures and the corresponding impact on productivity; (b) flight and travel restrictions; and (c) construction activities, specifically work camps, substations and lines.

Question(s)

- a) Please provide the amount and details for 2020 and 2021 separately for each of the three main categories that Valard identified as impacting ability to execute the project at the cost and in accordance with the schedule agreed to in the EPC contract.
- b) In the second reference above, in the 2022 rates proceeding, WPLP states that “at the present time, WPLP expects that incremental COVID-19 costs will generally be limited to costs incurred in 2020 and 2021.” Please confirm that this no longer is WPLP’s expectation, and if so, the reason for this.
- c) Please confirm that WPLP does not anticipate any COVID-19-related costs in the CCCDA in 2023.
- d) Given the enduring and long-term nature of the pandemic since it first affected WPLP’s operations in 2020, how does WPLP differentiate between COVID-19-related costs that are subject to recognition in the account versus those that should be considered part of an asset’s gross cost (similar to other unanticipated costs, such as inflationary pressures or other economic impacts)?

Staff-32

Ref.: Exhibit H / Tab 2 / Schedule 2 / pages 4-5

Preamble

WPLP states that the COVID-19 health and safety measures result in general reductions to worker productivity. WPLP and Valard have not been able to agree on a loss productivity factor for the period after March 31, 2021 and, as such, this aspect continues to be a subject of negotiation.

WPLP and Valard have secured a third-party consultant to determine the Base Rate of a flight so that they could accurately assess the impact of COVID-19 on flight and travel costs. WPLP expects the third-party to be engaged by the beginning of May 2022, and to be in a position to issue their report by August 2022.

Valard has sought schedule relief for delays as a result of COVID-19 as at December 31, 2021. Valard has not provided any cost estimate for the COVID-19 schedule delays. Any schedule or cost relief sought by Valard as it relates to impacts on construction will be pursuant to the EPC contract and subject to negotiations between WPLP and Valard.

Question(s)

- a) Please confirm if the loss productivity factor for the period after March 31, 2021 have been negotiated between Valard and WPLP and the impact on the total balance for the year 2021.
- b) Please advise of the results of the third-party report on the base rate of a flight and its impact, if any, on the COVID-19 costs with Valard. If available, please provide a copy of this report.
- c) Please advise whether WPLP and Valard have concluded that the impact of COVID-19 on the commercial air transportation industry and flight costs has subsided. If so, what effective date does that conclusion pertain to? Please explain in detail.
- d) Please confirm that the forecasted costs include an estimate of the potential cost relief that Valard is expecting for delays as a result of COVID-19 as at December 31, 2021. If not, what is the estimated cost relief that WPLP expects Valard to seek as at December 31, 2021.
- e) Please provide an estimate of any compensation Valard may seek in relation to COVID-19 as a result of impacts to schedule or incremental costs as a result of COVID-19 impacts in 2022. As well, please provide a forecast of any additional costs expected to be recorded in 2022 (year to date actuals if applicable and remaining 2022 forecast separately).

- f) WPLP indicated that Valard has not provided any cost estimate for the COVID-19 schedule delays. Please explain the basis and approach for WPLP to estimate the \$90.3 million forecasted incremental EPC contract project costs attributable to COVID-19.

Staff-33

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 6

Preamble

WPLP is forecasting incremental EPC contract project costs attributable to COVID-19 of \$90.3 million and non-EPC incremental project costs attributable to COVID-19 of \$0.6 million.

Question(s)

- a) Please confirm if WPLP is requesting that the non-EPC incremental project costs attributable to COVID-19 be treated in the same manner as EPC costs. If it is not to be treated in the same manner, please clarify how it is to be treated.

Staff-34

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 10 / Table 2
Exhibit H / Tab 2 / Schedule 2 / page 11 / Table 3

Preamble

Table 2 provides the owner equity, ratepayer impact and impact on the independent Trust under the assumption there is no federal funding.

Table 3 provides the owner equity, ratepayer impact and impact on the independent Trust under the assumption there is federal funding.

Question(s)

- a) Please provide detailed calculations for the COVID-19 proceeds, and for each component of the Revenue Requirement Impact in Table 2 including incremental rate base, incremental return and collection of remaining deferral

- account plus carrying charges for each of the 3 options. Please include any assumptions about interest rates and time period.
- b) Please provide detailed calculations for the COVID-19 proceeds, and for each component of the Revenue Requirement Impact in Table 3 including loss of Trust funds as a result of incremental contribution to WPLP, earnings on incremental Trust balance, incremental rate base, incremental return and collection of remaining deferral account plus carrying charges for each of the 3 options. Please include any assumptions about interest rates and time period including assumptions for the calculation of incremental Trust earnings.
 - c) Please confirm that Tables 2 and 3 are based on \$90.9 million COVID-Costs forecast as at the end of 2021. If this is not the case, please update Tables 2 and 3 based on \$90.9 million in COVID-Costs as at the end of 2021.
 - d) Please confirm that, in WPLP's view, holding all else equal (and ignoring factors such as incentives or access to credit), any amount of dollars from the Federal Funding Framework that is redirected away from the Contributions in Aid of Capital portion and towards the Trust portion represents a net benefit to ratepayers. If not, please explain.
 - e) Please discuss WPLP's analysis of net ratepayer benefits from its proposed treatment of COVID-19-related costs, when considering the asset lifetime costs attributable to ratepayers (including the impacts of cost of capital over the life of the underlying assets).
 - f) In the event that the OEB does not, in part or in full, accept WPLP's proposed treatment of COVID-19-related costs for the 2021 year, does WPLP have access to incremental credit facilities, should that financing become necessary?

Staff-35

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 12
Exhibit I / Tab 4 / Schedule 1 / pages 5-6

Preamble

The Federal Funding Framework establishes a sliding scale such that, as WPLP's costs increase, the CIAC amount increases at a rate that reduces

WPLP's deemed equity position in the project. Based on the Federal Funding Framework, WPLP's equity cannot rise above \$400 million when costs are above \$1.87 billion. WPLP anticipates that the distribution of federal funds will occur in 2024.

WPLP states that to the extent that its equity contribution is limited to less than 40% in a future year, this will be addressed in its revenue requirement application for the relevant test year. WPLP expects that its application for a 2024 test year revenue requirement (filed in 2023) will incorporate the impact of federal funding on a forecast basis.

Question(s)

- a) Please confirm that if WPLP's equity contribution is forecast to be limited to less than 40% in any future proceeding by the Federal Funding Framework that it will, for the purposes of rate-setting, apply its actual capital structure and not the OEB-deemed capital structure of 40% equity. If this is not the case, please explain.
- b) Based on its current projection of total project costs, does WPLP anticipate filing for 2024 rates based on its actual debt-to-equity capital structure?
- c) Under what conditions or scenarios would WPLP seek rates in a future proceeding that deviate from the OEB's deemed 40% equity capital structure?

Staff-36

Ref.: Exhibit I / Tab 4 / Schedule 1 / page 2 / Table 1
Exhibit I / Tab 4 / Schedule 1 / page 4 / Table 4

Preamble

Item B in Table 1 indicates a monthly increase related to Network RTSR in 2023 on residential bills of \$0.04 and item C in Table 1 indicates a monthly increase related to RRRP rate in 2023 on residential bills of \$0.15. The total monthly bill increase in Table 1 for residential customers is \$0.20 whereas items B and C total \$0.19.

Item E In Table 4 indicates a monthly bill increase due to RRRP adjusted for HST and OER in 2023 on general service bills of \$0.42 based on WPLP's calculations for items C and D.

Question(s)

- a) Please provide detailed calculations for items B, C, D and E In Table 4 for residential customers. Please adjust the bill increase in Table 1 for residential customers, if required.
- b) Please confirm if the uplift calculation of 2,192 kWh in Table 4 for general service customers is correct. Please provide detailed calculations for items B, C, D and E in Table 4 for general service bills including revised uplift consumption if necessary. Please adjust the bill increase in Table 1 for general service customers, if required.