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

BY EMAIL

September 8, 2023

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

Dear Ms. Marconi:

Re: Wataynikaneyap Power LP (WPLP)
2024 Electricity Transmission Rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2023-0168

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant has been copied on this filing.

Wataynikaneyap Power LP 's responses to interrogatories are due by September 28, 2023.

Any questions relating to this letter should be directed to Michael Price at Michael.Price@oeb.ca or at 416-440-7632. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Michael Price Digitally signed by Michael Price Date: 2023.09.08 13:59:04 -04'00'

Michael Price
Senior Advisor, Generation & Transmission

cc. WPLP

Encl.

Wataynikaneyap Power LP (WPLP)
2024 Transmission Rate Application
EB-2023-0168
OEB Staff Interrogatories
September 8, 2023

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 B / Tab 1 / Schedule 2 / page 5
Exhibit B / Tab 1 / Schedule 5 / pages 17-19

Preamble

WPLP has approved 13 change orders related to design changes, contract terms and routing changes since July 6, 2022, that are further described in the second reference.

Question

a) Please provide a detailed breakdown including description and cost of each of the 13 change orders.

Staff-2

Ref.: Exhibit B / Tab 1 / Schedule 2 / page 6
Exhibit H / Tab 1 / Schedule 1 / Appendix B / page 1

Preamble

WPLP assumes for the purpose of this application, and based on the construction schedule, that the distribution of federal funds will occur on December 31, 2024, following the later of: (a) the OEB's Decision and Order in respect of the current application; or (b) completion of construction and receipt of funds by the Trustee.

Question(s)

a) Please explain how the distribution of federal funds will occur under the federal funding framework.

b) Please explain why the distribution of federal funds would occur after the OEB's Decision and Order in respect of the current application when capital costs cannot be finalized in 2023 since project construction is not scheduled to be completed until August 2024.

c) Please explain why the distribution of federal funds would occur after the OEB's Decision and Order in respect of the current application when commercial discussions are ongoing between WPLP and Valard regarding COVID-related costs and schedule impacts under the EPC contract.

d) What is the forecasted timeline regarding the resolution of negotiations with Valard?

e) Please confirm if and when WPLP will submit updated project costs after the conclusion of commercial discussions with Valard for prudency and approach to disposition. If not, why not?

f) Please explain how WPLP proposes to allocate capital construction costs incurred but not finalized, including the outcome of the ongoing commercial discussions between WPLP and Valard regarding COVID-related costs and schedule impacts under the EPC contract, before the completion of construction.

Staff-3

Ref.: Exhibit B / Tab 1 / Schedule 2 / pages 6-7
Exhibit H / Tab 1 / Schedule 1 / page 13

Preamble

Under the proposed Federal CIAC Variance Account (FCVA), if the CIAC is received earlier than December 31, 2024, WPLP would seek to refund the revenue requirement impact to HORCI as the sole customer on its Remote Connection Lines, and if the CIAC is received later than December 31, 2024, WPLP would seek to recover the revenue requirement impact from HORCI in a future rate application.

Question(s)

a) Please explain if the ongoing commercial discussions between WPLP and Valard regarding COVID-related costs and schedule impacts under the EPC contract are related only to the Remote Connections Line. If not, please provide the amount and/or proportion related to the Line to Pickle Lake.

b) Based on the federal funding being received on December 31, 2024, please provide WPLP's projected Revenue Requirement details including rate base, debt, equity, cost of capital, regulated return on rate base, OM&A expense, depreciation expense and service revenue requirement for the Line to Pickle Lake and for Remote Connections Line immediately before and after receiving the federal funding.

c) Based on the federal funding being received on September 30, 2024, please provide WPLP's projected Revenue Requirement details including rate base, debt, equity, cost of capital, regulated return on rate base, OM&A expense, depreciation expense and service revenue requirement for the Line to Pickle Lake and for Remote Connections Line immediately before and after receiving the federal funding.

d) Based on the federal funding being received on March 31, 2025, please provide WPLP's projected Revenue Requirement details including rate base, debt, equity, cost of capital, regulated return on rate base, OM&A expense, depreciation expense and service revenue requirement for the Line to Pickle Lake and for Remote Connections Line immediately before and after receiving the federal funding.

Staff-4

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

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

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-5

Ref.: Exhibit B / Tab 1 / Schedule 3 / pages 2-4 / Table 2
Exhibit B / Tab 1 / Schedule 5 / page 6

Preamble

WPLP states that on May 30, 2023, 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. Table 2 presents WPLP's current in-service schedule by line segment and station.

OEB staff note that when compared with the similar table filed by WPLP for its 2023 application, a timing difference of up to 2 months can be observed between the forecasted and actual 2022 in-service additions.

Question(s)

a) OEB staff understand that the forecast in Table 2 was developed based on information provided to WPLP from its EPC Contractor on May 30, 2023. Please clarify whether the lines and substations listed with a "Current Forecast In-Service Date" prior to May 30, 2023, can be considered as in-service. For example, line WJI is listed with a forecast in-service date of May 25, 2023.

b) Please quantify the impact on WPLP's 2024 revenue requirement if the timing of 2023 and 2024 in-service additions, outlined in Table 2, were to be delayed by 1 month and 2 months (separately).

c) In consideration of the significant amount of construction activity and associated capital spending that is forecasted to take place between May 30, 2023 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. If not, please provide a rationale.

Staff-6

Ref.: Exhibit B / Tab 1 / Schedule 4 / page 12-13

Preamble

WPLP indicates that it has procured PowerTel Utilities Contractors Limited to provide services for inspection, maintenance and emergency response activities.

WPLP states that further to the inspection, maintenance and emergency response procurement process, to satisfy the immediate need for 24/7 control operations, WPLP executed 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) What is the annual cost of the contract with PowerTel Utilities Contractors Limited to provide inspection, maintenance and emergency response services? Please also provide a breakdown of the costs by sub-category.

b) Please advise when the interim control room services are expected to come into service.

c) What is the expected duration and annual cost of the interim control room services?

d) When does WPLP anticipate having its own control room in service?

Staff-7

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 2

Preamble

WPLP has been recording, in the 2021-2023 COVID Construction Costs Deferral Account (2021-2023 CCCDA), the incremental year-end COVID costs from 2021 to 2023, with the prudence and approach to disposition of such amounts to be determined at the time of disposition in a future rate application once the COVID cost information for these years is known.

WPLP is proposing to be permitted to transfer the 2021-2023 CCCDA audited (to December 31, 2022) and unaudited (from January 1, 2023, to December 31, 2023) 2023 year-end forecast balance, together with applicable AFUDC, to CWIP Account 2055 on December 31, 2023.

Question(s)

a) Please explain why prior to when detailed COVID cost information for these years is available and prior to when commercial negotiations with Valard are concluded WPLP is requesting the OEB determine the approach to disposition of such amounts (either as capital or as an OM&A expense) and the proposed transfer to the CWIP.

b) Please explain how WPLP is suggesting that the OEB determines the approach to disposition of such amounts (either as capital or as an OM&A expense) and the proposed transfer to the CWIP. Please provide any relevant OEB decisions that support WPLP's suggested approach.

Staff-8

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 2
Exhibit H / Tab 1 / Schedule 1 / pages 10 and 14

Preamble

In its current application, WPLP is requesting a modification of its 2021-2023 CCCDA to specify that any amounts recorded in the account will be treated as capital and by expanding the scope of the account by one year to enable tracking of COVID-related capital costs relating to 2020 that WPLP may recognize as having been incurred upon conclusion of the commercial discussions that are ongoing with its EPC contractor.

Question(s)

a) Please explain why WPLP is now proposing that 2020 COVID costs will be recognized as capital costs when in its 2022 rate application WPLP proposed, and it was settled that 2020 COVID costs would be expensed.

b) Please explain why there are additional COVID costs from 2020 after 2020 COVID costs were already approved as per the Settlement Agreements in EB-2021-0134 and EB-2022-0149, and why it was not brought forth at that time. Please explain why WPLP's proposal does not amount to retroactive ratemaking.

c) Please clarify why there are additional COVID costs in 2020, given that the 2020 Audited Financial Statements have been issued.

d) Please explain in detail the nature of the additional costs.

e) Are there other costs outstanding beyond those relating to the Whitefeather access issues that will be recorded in this account?

Staff-9

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

Preamble

WPLP proposes to modify CWIP Account 2055 by adding a new sub-account to track certain COVID related capital costs that relate to the period from 2020 onward.

Question(s)

a) Please explain why WPLP is proposing that CWIP Account 2055 track certain COVID related capital costs that relate to the period from 2020 onward when the prudence and approach to disposition has not been determined.

b) Please explain why WPLP is proposing that certain COVID related capital costs be tracked in CWIP Account 2055 when the cost information is not known or available and is subject to commercial negotiations with Valard.

Staff-10

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

Preamble

WPLP proposes to establish a new EPC COVID-Related Costs Deferral Account to record costs incurred and to be incurred in respect of anticipated claims under its EPC Contract that relate to 2024 or later and which continue to be the subject of commercial discussions between WPLP and its contractor.

Question(s)

a) Please explain why WPLP is anticipating COVID related costs in 2024 and is proposing to establish a new EPC COVID-Related Costs Deferral Account that relates to 2024 or later with the COVID pandemic declared over by the World Health Organization (WHO) in March 2023 and Ontario provincial government COVID restrictions removed.

b) Please specify the anticipated claims under WPLP's EPC Contract that relate to 2024 or later.

c) If any of these costs are for later than 2024, please explain what impact this will have in determining the amount of capital contribution to be provided under the federal funding and the timing of receipt of the funding. Also, explain the proposed impact on rate base if any of these costs are for later than 2024.

Staff-11

Ref.: Exhibit B / Tab 1 / Schedule 5 / pages 8-9 / Table 3
Exhibit B / Tab 1 / Schedule 5 / pages 8-10
Exhibit B / Tab 1 / Schedule 3 / pages 2-3 / Table 2

Preamble

EPC costs for transmission line facilities are $4.9 million higher when compared with WPLP's 2023 rate application.

EPC costs for station facilities are $6.8 million higher when compared with WPLP's 2023 rate application.

WPLP states that these differences are attributable to executed change orders, other costs related to forest fire and MNRF fire prevention order impacts, as well as route changes, which are the subject of commercial discussions with the EPC contractor for the remainder of the construction period.

Question(s)

a) Please provide a detailed breakdown of the increase in EPC costs associated with the transmission line facilities attributable to executed change orders, other costs related to forest fire and MNRF fire prevention order impacts, as well as route changes for the Line to Pickle Lake and the Remote Connection Lines.

b) Please provide a detailed breakdown of the increase in EPC costs associated with the station facilities attributable to executed change orders, other costs related to forest fire and MNRF fire prevention order impacts, as well as route changes for the Line to Pickle Lake and the Remote Connection Lines.

c) What steps did WPLP and its Owner's Engineer take to satisfy themselves that the increase in EPC costs for transmission line facilities and station facilities are appropriate?

d) Please clarify that the Forecast with COVID Costs of $74.57 million in Table 3 excludes the costs subject to the ongoing commercial negotiations with Valard.

e) Please confirm that the Forecast with COVID Costs in Table 3 cannot be allocated to the Line to Pickle Lake or Remote Connection Lines until the detailed costs are provided to determine prudency and approach to disposition.

f) For each of the transmission line sections in Table 2 going into service in 2024, 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.

g) For each of the stations in Table 2 going into service in 2024, please provide in table format the 2022 rate application as amended estimate compared to the current cost forecast. For any 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-12

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 9 / Table 3
Exhibit B / Tab 1 / Schedule 5 / page 19

Preamble

Capital costs related to the capitalized interest category are approximately $21.18 million higher when compared with the equivalent estimate in the 2023 rate application. WPLP states that the increase in costs are primarily due to changes in the 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.

Question

a) What portion of the $21.18 million increase in capitalized interest costs is attributable to construction schedule changes and what portion is attributable to interest rate increases?

Staff-13

Ref.: Exhibit B / Tab 1 / Schedule 5 / pages 8-9 / Table 3
Exhibit B / Tab 1 / Schedule 5 / pages 12-15

Preamble

Non-EPC capital costs for the “EPC Excluded (e.g., Insurance, LIDAR, Stumpage)” category are approximately $3.1 million lower when compared with the equivalent estimate in the 2023 rate application.

Non-EPC capital costs for the “Engineering, Design, Project/Construction Management & Procurement” category are approximately $3.3 million lower when compared with the equivalent estimate in the 2023 rate application.

Question(s)

a) Please explain why the non-EPC costs for the “EPC Excluded (e.g., Insurance, LIDAR, Stumpage)” category are lower. If there are multiple drivers involved, please provide a breakdown attributing the cost reduction to the appropriate driver.

b) 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 to the appropriate driver.

Staff-14

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 18 / Table 4
Exhibit H / Tab 1 / Schedule 1 / pages 7-8

Preamble

As at April 30, 2023, WPLP had executed or was in the process of executing EPC change orders in the amount of $X million, leaving a contingency allowance of $81.88 million.

Contingency amounts of $48,075,777 and $17,299,725 were removed from the 2022 and 2023 rate bases, respectively, and deferred and tracked in the Deferred Contingency Deferral Account (DCDA). WPLP has proposed an additional contingency amount be removed from the 2024 rate base and deferred and tracked in the DCDA for a total amount of $81.88 million.

The settlement agreement in EB-2021-0134 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 $65,375,502 is included in the $X million of change orders in Table 4. Please explain if and by how much this will impact the DCDA for the amount removed from the 2023 rate base.

b) Please confirm the expected amount of the $81.88 million contingency remaining after the 2022, 2023 and 2024 amounts have been removed from 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 line sections and stations that are expected to come into service in 2023 and 2024 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-15

Ref.: Exhibit B / Tab 1 / Schedule 5 / pages 26-28 / Tables A-3 and A-4

Preamble

WPLP provides that the “Assets in service” in Table A-3 reflect the portion of these costs related to assets that are forecasted to be in service at the end of each month, based on the most recent project schedule. Footnote 22 states that the “asset in service” amounts are therefore different than the “in service addition” amounts that are described in detail in Exhibit C.

Question(s)

a) Please update Table A-3 based on the “in service addition” amounts that are described in Exhibit C.

b) Please update Table A-4 based on the updated Table A-3 from question a).

Staff-16

Ref.: Exhibit B / Tab 1 / Schedule 5 / page 28 / Table A-4

Preamble

WPLP provides a breakdown of overhead costs by item for 2019 to 2024

Question(s)

a) For each of the seven categories of expenses for overhead costs, please provide a detailed breakdown of the items and costs.

b) Please provide an itemized annual breakdown of the overhead costs between 2019 to 2024.

c) Specific to 2023 and 2024, for any item with cost increases of more than 5%, please briefly explain the reasons for the cost increase.

Staff-17

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

Preamble

Table 1 Indicates that line WQR incurred sustaining capital COVID-19 cost additions for pole replacement.

Question(s)

a) Please explain the pole replacement for the newly constructed Line WQR including the costs incurred. Are the costs to be capitalized net of the remaining life of the assets? If not, why not?

b) Please clarify why these costs are capitalized and not expensed as operating and maintenance costs?

Staff-18

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

Preamble

WPLP states that the cost impacts, which are the subject of commercial discussions with Valard, of the 2021 forest fires/MNRF fire prevention orders are not yet known.

Question(s)

a) Please confirm if the cost impacts of the 2021 forest fires/MNRF fire prevention orders have now been finalized. If so, please update Table 5 accordingly.

b) If not, please advise as to when WPLP expects the 2021 forest fires/MNRF fire prevention costs to be finalized.

Staff-19

Ref.: Exhibit C / Tab 2 / Schedule 1 / page 10

Preamble

WPLP accelerated the construction schedule which moved the in-service dates from 2024 to November 2023 for lines WEG and WG1, and substation G.

Question

a) For the line sections and substation that were accelerated 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 or station with cost increases of more than 5%, please briefly explain the reasons for the cost increase.

Staff-20

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

Preamble

OEB staff has reproduced the Table A-1 in Reference 1 as below:

Table A-1 – Summary of Total Direct and Allocated Capital Costs

Cost Category	Allocation of Capital Costs ($000's)			
	Direct to Fixed Assets	**Allocate Proportional to EPC Costs**	**Excluded from In-Service additions**	**Total**
EPC Costs	1,419,979	12,800	0	1,432,779
EPC Excluded Costs	9,245	10,012	0	19,257
Non-EPC Attributed to Capital	0	121,757	0	121,757
Capitalized Overhead Costs	0	70,663	0	70,663
Change Orders (Executed and under discussion)	[redacted]	0	0	[redacted]
COVID-19 Costs	74,570	0	0	74,570
Contingency	[redacted]	0	81,882	81,882
Total	[redacted]	**215,232**	**81,882**	[redacted]
Less costs allocated to in-service assets: 2022 Allocated Portion		-92,493		
2023 Allocated Portion		-57,754		
Total costs to be allocated to 2024 In-Service Assets		**64,985**		

Question(s)

a) Please confirm whether there are any indirect overhead costs contained within the capitalized overhead amount of $70,663K in Table A-1, and their amount. Does the $215,232K capture all indirect overhead costs? If not, please explain.

b) How does WPLP distinguish between direct and indirect costs? How does WPLP ensure that there is no duplication of costs between the two categories?

c) Please confirm whether the 2022 and the 2021 allocation of capital costs to in-service assets of $92,493K and $57,754K, respectively, have been capitalized.

Staff-21

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

Preamble

WPLP provides for each of the lines segments and stations placed in service in 2024 the proportional allocation of general capital costs, change orders and additions to fixed asset accounts in Table A-2.

In its initial rate application WPLP 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.

Question(s)

a) Please provide the contingency amounts for each of the lines segments and stations to be placed in service in 2024.

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 2024 and the additions to fixed asset account in the initial rate application.

Staff-22

Ref.: Exhibit C / Tab 3 / Schedule 1 / FA Cont and Depr Sched.xls
Exhibit A / Tab 7 / Schedule 1 / Attachment 1 2022 Audited FS

Preamble

OEB staff cannot reconcile between the total audited 2022 cost and net book values of property, plant and equipment in the AFS and the same in the FA Continuity and Depreciation Excel spreadsheet.

Question

a) Please provide a reconciliation of the values in the references above.

Staff-23

Ref.: Exhibit D / Tab 1 / Schedule 1 / Page 2
EB-2022-0149 / Exhibit F / Tab 1 / Schedule 1 / Appendix A

Preamble:

In its 2023 revenue requirement application, WPLP filed a benchmarking study that compared WPLP's OM&A expense levels on a per line kilometer and a per station basis relative to Canadian transmitters.

In the 2022 Performance Report, WPLP provided WPLP's OM&A cost per kilometer of line and OM&A cost per station for the year 2022.

Questions:

a) Please project the OM&A cost per kilometer of line and OM&A cost per station for years 2023 and 2024.

b) Please compare the answers from part a) with the OM&A cost per kilometer of line and OM&A cost per station from the benchmarking study and explain any differences greater than 10%.

c) Please compare the answers from part a) with the OM&A cost per kilometer of line and OM&A cost per station from the 2022 Performance Report and explain any differences greater than 10%.

Staff-24

Ref.: Exhibit F / Tab 2 / Schedule 1 / page 3 / Table 2
Exhibit F / Tab 2 / Schedule 1 / page 5
Exhibit B / Tab 1 / Schedule 5 / pages 27-28 / Table A-3

Preamble

WPLP developed a methodology to allocate overhead costs between capital and OM&A, which is described in detail in Appendix 'A' of Exhibit B-1-5. WPLP states that applying the allocation methodology to WPLP's 2024 forecasted overhead costs results in the 2023 forecast for OM&A costs.

Question(s)

a) Please clarify if the 2024 forecasted overhead costs were used to determine the forecast 2023 OM&A costs or the forecast 2024 OM&A costs?

b) Please update the 2023 forecast OM&A and the 2024 forecast OM&A in Table 2 based on the updated Table A-3 from WPLP's response to OEB Staff IR -15.

Staff-25

Ref.: Exhibit F / Tab 2 / Schedule 1 / page 3 / Table 2

Preamble

Table 2 indicates that WPLP's Direct O&M Labour category is increasing from $0.3 million in 2022 to $1.8 million in 2023, Substation and Line Routine Maintenance is increasing from $1.5 million to $3.7 million and Emergency Response and Reactive Maintenance is increasing from $1.8 million to $3.3 million.

Question

a) Please explain the significant increases in the
   i. Direct O&M Labour category
   ii. Substation and Line Routine Maintenance category
   iii. Emergency Response and Reactive Maintenance category

Staff-26

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

Preamble

The 2024 test year is the third year in which WPLP has transmission assets coming into service, and therefore it is the third 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 2023 bridge year to the 2024 test year.

The 2023 total OM&A expense shown in Table 2 of Exhibit F-2-1 are used as the starting point for 2024 OM&A cost driver analysis in WPLP's application for approval of a 2024 test year revenue requirement.

Question

a) Please file a complete five-year OM&A forecast by replicating Table 2 for the years 2025 to 2027, if possible. If not possible, please explain what information is outstanding that prevents WPLP from providing a five-year OM&A forecast now.

Staff-27

Ref.: Exhibit F / Tab 2 / Schedule 1 / pages 3-6

Preamble

WPLP provides a summary of its 2024 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 2024 forecasted overhead costs results in the following total indirect operating expenses of approximately $18.0 million, which is broken down into six categories of expenses:

- Approximately $8.3 million for labour costs, including related overheads
- Approximately $0.2 million for environmental services
- Approximately $1.5 million for other consultants
- Approximately $3.3 million for Indigenous engagement and communications
- Approximately $3.3 million for Indigenous participation and training
- Approximately $1.5 million for general administrative costs

Question

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

Staff-28

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

Preamble

WPLP provides a summary of its 2020 to 2024 employee compensation in Table 2 of Exhibit F-3-1. WPLP forecasts total compensation cost (salary, wages, and benefits) to decrease from $6,271,697 in 2023 to $5,693,093 in 2024, representing a 9.2% decrease. Years 2023 and 2024 are forecasted to have the same number of employees (13 management and 22 non-management employees).

Question

a) Please explain the drivers contributing to the 9.2% decrease in employee compensation costs from 2023 to 2024.

Staff-29

Ref.: Exhibit F / Tab 2 / Schedule 1 / page 3 / Table 2
Exhibit B / Tab 1 / Schedule 2 / pages 13-14

Preamble

At the first reference, from 2023 to 2024, costs for Indigenous Engagement & Communications are projected to increase from $2,122 K to $3,310 K, which represents a 56% increase.

At the second reference, WPLP outlines its efforts in regard to Indigenous and Métis engagement.

Question(s)

a) Please provide a detailed breakdown of WPLP's 2024 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.

b) Please explain the drivers for the projected increase in costs for Indigenous Engagement & Communications from 2023 to 2024.

Staff-30

Ref: Exhibit F / Tab 4 / Schedule 1 / Table 3
Exhibit F / Tab 4 / Schedule 1 / Appendix A

Preamble

WPLP states that the only fixed asset account where WPLP's useful life is outside the Kinetric's recommended range is Account 1730 (Overhead Conductors and Devices). In Table 3 of Exhibit F, Schedule 4 Tab 1 Account 1908 Buildings and Fixtures is depreciated based over a 40-year useful life at 2.5% per year, which is outside Kinetric's recommended range. In Appendix A of the same exhibit, the same account is depreciated over a 50-year useful life at 2.0%.

Question

a) Please confirm that WPLP is using a 50-year useful life for Account 1908 Buildings and Fixtures for its depreciation expense. If confirmed, please update the evidence accordingly.

Staff-31

Ref.: Exhibit F / Tab 5 / Schedule 1

Question

a) Please provide the 2023 bridge year calculation of income tax expense, which forms the basis of the opening year balances of the 2024 income tax calculation.

Staff-32

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

Preamble

WPLP's application states that the portion of the federal funding that will be provided to WPLP as a CIAC will be determined based on WPLP's total capital costs for the project as determined in this application. It also states that the federally funded CIAC will be applied to the Remote Connection Lines. The remaining federal funding will be applied to the independent Trust to provide funds to the IESO to be applied against the total RRRP funding that the IESO needs to collect from Ontario ratepayers each month, until such time as the independent Trust's funds are exhausted.

Question

a) Please explain why none of the Federal Funding is allocated to the Line to Pickle Lake.

Staff-33

Ref.: Exhibit G / Tab 1 / Schedule 1 / pages 2-3
EB-2022-0149 Exhibit H / Tab 2 / Schedule 2 / page 12

Preamble

In the first reference, First Nation LP and Fortis (WP) LP will contribute total equity of $306.06 million in 2022 and 2023 to the project. As WPLP forecasts that the total capital cost of the project will increase beyond $1,870 million in 2024, WPLP states that its partners will not be permitted to make additional equity contributions upon additional assets coming into service during the year other than retained earnings.

In the second reference, 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 total capital costs are above $1,870 million.

Question(s)

a) Please confirm that WPLP is forecasting sufficient retained earnings in 2024 to increase its equity to $400 million. If not, please provide an updated 2024 equity position for WPLP.

b) Under what conditions or scenarios would WPLP seek rates that deviate from the OEB's deemed 40% equity capital structure?

c) Please explain if the Federal CIAC Funds are received prior to completion of negotiations with Valard how WPLP is proposing to allocate the costs agreed to with Valard to its rate base and equity position for the Line to Pickle Lake and the Remote Connection Lines.

Staff-34

Ref.: Exhibit G / Tab 2 / Schedule 1 / pages 2-4

Preamble

WPLP states that the Common Terms and Inter-Creditor Agreement (CTIA) contemplates that each draw will be funded by all of the lenders, in proportion to the total amount of funding available from each lender. As a result of this agreement approximately 66% (1.34/2.02) of the total project financing will be provided by Ontario, and approximately 34% (0.68/2.02) will be provided by the Senior Bank Lenders.

Question(s)

a) Please confirm that the proportion of funding available in Table 2 is consistent with the proportions specified in the CTIA of the total project financing of 1.34/2.02 by Ontario and 0.68/2.02 by the Senior Bank Lenders. If it is not consistent, please explain why not and provide what the principal and interest and fees would be if it was consistent.

b) Please provide detailed calculations separately of the 2024 Ontario Facility interest rate and fees and the 2024 Senior Bank Lenders interest rates and fees. Please compare the 2024 interest rates and fees with 2023 including detailed calculations of the 2023 interest rates and fees.

Staff-35

Ref.: Exhibit H / Tab1 / Schedule 1 / page 10
EB-2022-0149 / Decision and Order, November 29, 2022

Preamble

In the Decision and Order for its 2023 revenue requirement, it was agreed that WPLP shall establish a new “2021-2023 COVID Construction Costs Deferral Account” to record incremental audited year-end costs from 2021 to 2023 which are directly attributable to the COVID-19 pandemic (the “Incremental COVID Construction Costs”). The prudence of the amounts recorded, and the approach to disposition of such amounts - either as capital or as an OM&A expense - will be determined at the time of disposition in a future rate application once WPLP’s COVID cost information for these years is known.

Question(s)

a) Please outline the criteria and methodology for each of the categories, e.g., productivity and COVID-19 Health and Safety, Flight and Travel Restrictions, Construction Activities and Non-EPC Impacts, used to determine which costs were eligible for inclusion in the 2021-2023 CCCDA. Please highlight the key factors that guided the inclusion of these costs.

b) Please describe the process by which WPLP ensures the accuracy and completeness of the COVID cost data recorded in the deferral account.

c) What were the challenges or complexities WPLP encountered in quantifying or tracking the COVID-related costs included in the 2021-2023 CCCDA? Please provide a high-level overview of how these challenges were addressed.

d) Please confirm whether there were any COVID amounts that were expensed other than those approved for disposition in the prior applications and their amount. Is WPLP seeking to capitalize any amounts that are expenditures in nature?

Staff-36

Ref.: Exhibit H / Tab 1 / Schedule 1 / pages 14-15
EB-2022-0149 Exhibit H / Tab 2 / Schedule 2 / page 3

Preamble

WPLP is requesting approval to establish, effective January 1, 2024, a new EPC COVID-Related Costs Deferral Account (EPC COVID Account) to record costs, including applicable AFUDC, incurred and to be incurred by WPLP under its EPC

Contract that relate to 2024 or later and which are in respect of anticipated claims from the EPC contractor for cost and schedule relief under the EPC Contract in relation to COVID and related access issues in the Whitefeather Forest area, other than any such costs that are related to the 2020-2023 period and which would instead be recorded in the 2021-2023 CCCDA.

WPLP further states that “WPLP has not included in its proposed revenue requirement for 2024 (or for any prior year) any of the COVID cost or schedule impacts that are the subject of the ongoing commercial negotiations, or any costs for considering or negotiating those amounts.”

Question(s)

a) Please confirm that the second paragraph above is accurate. If it is not accurate, please clarify.

b) Please confirm that none of the $74.6 million of 2022 and 2023 COVID costs proposed to be added to rate base in this application ($68.2 million audited for 2022 and $6.4 million forecast for 2023) are part of the ongoing commercial discussions with Valard. If not, please specify how much of these COVID costs are the subject of ongoing commercial discussions.

Staff-37

Ref: Exhibit H / Tab 1 / Schedule 1 / Appendix B

Preamble

WPLP is requesting to establish a new “Federal CIAC Variance Account” to record the revenue requirement impact of the difference, if any, between WPLP’s forecasted date of the Contribution in Aid of Construction (“CIAC”) funds being distributed to WPLP pursuant to the Federal Funding Framework and the actual date of the CIAC funds being distributed to WPLP.

Question(s)

a) What specific criteria or conditions are associated with the timing of the CIAC that may impact when WPLP receives the funds? Please provide an overview of the key factors that might influence the actual date of the CIAC receipt.

b) Please clarify the process that WPLP will follow in case the CIAC is received earlier than December 31, 2024. How will the revenue requirement impact be refunded to the sole customer, Hydro One Remote Communities Inc. (HORCI)?

c) In the event that the CIAC is received later than December 31, 2024, please describe how WPLP plans to recover the revenue requirement impact from HORCI in a future rate application.

Staff-38

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

Preamble

WPLP is proposing to dispose of the ISDVA, CPICVA and DCDA over a 4-year period to mitigate ratepayer and WPLP financial impacts. While there is an overall balance owed to ratepayers from these accounts in 2024, WPLP is forecasting a balance due from ratepayers in the CPICVA in excess of $20 million for the 2025 test year. WPLP states "as such, establishing a 4-year recovery period for these accounts is equitable to both WPLP and Ontario ratepayers."

Question(s)

a) Please provide the forecast balance of the ISDVA, CPICVA and DCDA for the 2025 test year based on a one-year recovery period and a four-year recovery period.

b) Assuming that the Federal CIAC Funding is received December 31, 2024, please provide the forecast balance of the ISDVA, CPICVA and DCDA for the 2025 test year based on a one-year recovery period and a four-year recovery period.

Staff-39

Ref.: Exhibit H / Tab 2 / Schedule 1 / pages 6-7
EB-2022-0149 Exhibit H / Tab 2 / Schedule 2 / page 3

Preamble

WPLP is proposing to transfer the 2021-2023 CCCDA audited (to December 31, 2022, in the amount of $69,183,830), and unaudited (from January 1, 2023, to December 31, 2023, in the amount of $11,022,005) 2023 year-end forecast balance to CWIP Account 2055 on December 31, 2023, inclusive of carrying charges.

WPLP stated in its 2023 rates application 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 confirm that the only difference in the amounts WPLP is seeking disposition of from the $68.2 million audited 2022 COVID costs and the $6.4 million forecasted 2023 COVID costs in the application is carrying charges.

b) Please provide detailed 2022 and 2023 COVID costs that WPLP is proposing disposition of from the 2021-2023 CCCDA on the same basis as the 2023 revenue application.

Staff-40

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 1
EB-2021-0134 Exhibit H / Tab 2 / 2 / page 9

Preamble

In its initial rate application, WPLP considered three scenarios for managing the impacts of the pandemic under the EPC contract. Based on its comprehensive reviews, WPLP determined that Scenario 4 provides the most appropriate balance between the interests of the utility, the interests of consumers in Northwestern Ontario, including in particular the communities awaiting connection to the grid, and the interests of Ontario transmission ratepayers. In summary, Scenario 4 calculated an EPC cost impact of $84 million at that time.

In its most recent application, WPLP is forecasting that, by the end of 2023, it will have incurred known COVID-19 Transmission Project costs unrelated to its EPC contract of approximately $1.4 million, and COVID-19 transmission project costs under its EPC contract of approximately $92 million. This does not appear to include amounts still subject to negotiations with Valard, which WPLP will seek to include as capital costs once they have been agreed upon.

Question

a) Please provide a detailed variance analysis for each category of the COVID costs as compared to the original forecast of $84 million noted in EB-2021-0134.

Staff-41

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 1
EB-2022-0149 Exhibit H / Tab 2 / Schedule 2 / pages 3-5

Preamble

In the current application, WPLP states:

> The COVID-19 pandemic has impacted the Transmission Project's cost, including costs related to WPLP's EPC contract as well as costs unrelated to its EPC contract. Some of the impacts have been described in WPLP's previous transmission rate applications.

In the 2023 rate application WPLP stated 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.

In the 2023 rate application WPLP stated that they had with Valard 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 expected 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.

In the 2023 rate application WPLP also stated that Valard has sought schedule relief for delays as a result of COVID-19 as at December 31, 2021. Valard had 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 has been negotiated between Valard and WPLP and the impact on the total balance for the years 2021, 2022 and 2023.

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 confirm if and how WPLP used this information from the third-party report to calculate the incremental COVID costs with Valard and how it impacted the costs proposed for the COVID variance account. If the information was not used, please explain why.

d) If a third-party report was not used, please explain how the incremental flight and travel cost attributed to COVID was determined.

e) 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.

f) 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, 2023. If not, what does WPLP estimate the additional potential cost relief to be as at December 31, 2023.

g) Please provide an estimate of any additional COVID-19 compensation as a result of impacts to schedule or incremental costs in 2020, 2021, 2022 and 2023.

h) Has WPLP engaged any other consultants to review the appropriateness of the costs under negotiation with Valard? If not, why not.

Staff-42

Ref.: EB-2022-0149 Exhibit H / Tab 2 / Schedule 2 / pages 3-4

Preamble

WPLP stated in its initial rate application that it incurs direct costs as a result of the COVID-19 health and safety measures. In addition, the COVID-19 health and safety measures result in general reductions to worker productivity. Valard and WPLP negotiated a 10% loss in overall productivity of construction works between March 11, 2020 and August 2020, followed by a 6% productivity reduction from August 2020 to March 2021 to reflect the efficiency that has been learned and implemented during the March to August timeframe, after which point the COVID-19 related impact on productivity was subject to review. 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 agreed to continue to use the 6% loss productivity factor in the interim, with a symmetrical true-up or true-down based on the final agreed upon productivity factor.

Question(s)

a) Please explain in detail how the productivity loss factor is quantified and derived.

b) Please quantify the COVID costs relating to the loss productivity factor and health and safety measures, separately.

c) Please confirm whether there have been any updates to this negotiation and loss productivity factor since WPLP's last application.

   i. If the response to question c) is yes, please describe what the updates are and their impact on the calculation of COVID costs.

   ii. If the response to question c) is no, please explain why it is appropriate to continue to use the loss productivity factor from the 2021 period. How will WPLP treat its COVID costs once a loss productivity factor has been agreed upon.

Staff-43

Ref.: Exhibit H / Tab 2 / Schedule 2 / page 7

Preamble

WPLP anticipates that it may incur additional COVID-related costs associated with the Transmission Project in 2024 (outside of the costs that are the subject of the ongoing commercial discussions with Valard, which would be recorded in the EPC COVID-Related Costs Deferral Account). Any such costs, to the extent they are known, would be treated as capital. In WPLP's next rate application, it would propose to add such costs directly to rate base effective January 1, 2025.

In March 2023, the WHO Director-General concurred with the advice offered by the Committee regarding the ongoing COVID-19 pandemic. The Director-General determined that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern.

Question(s)

a) Please explain the type and amount of COVID costs that WPLP anticipates incurring in 2024.

b) Please clarify if WPLP is proposing to add the 2024 COVID costs to rate base before or after the federal funding is received. If the 2024 COVID costs will be applied to rate base after the federal funding is received, please provide WPLP's proposed debt/equity ratio for these 2024 COVID costs.

c) Please provide a best estimate of how long WPLP expects to incur COVID costs to the existing CCCDA and the proposed EPC COVID Account.

d) Please clarify whether and how much WPLP has incurred and recorded of COVID costs in the deferral account after May 2023. If there are COVID costs recorded after May 2023, please explain why WPLP believes that these costs are pertaining to COVID.

e) With the decline of overall trends in COVID cases over the past year since the previous application, how does WPLP differentiate between COVID costs and general capital costs incurred for construction of the project?

f) Please explain the treatment of COVID costs once assets are in service.

Staff-44

Ref.: Exhibit H / Tab 2 / Schedule 2 / pages 7-8
Exhibit A / Tab 3 / Schedule 1 / page 2

Preamble

WPLP states that Contractor Cost Overruns primarily relate to schedule delays that the EPC contractor takes the position arose from implementation of COVID-19 health and safety measures, as well as access issues in the Whitefeather Forest. These additional costs are currently the subject of commercial discussions between WPLP and Valard and therefore remain uncertain in terms of quantum and responsibility.

At the second reference above, WPLP states:

> During 2022 and the first half of 2023… WPLP discussed with Valard (the EPC contractor) its amendment of the COVID-19 Management Plan to remove the majority of COVID-related restrictions while still adhering to participating First Nation COVID-19 protocols.

Question(s)

a) Please explain why WPLP suggests that these Contractor Costs Overruns could be related to 2024 or later when the COVID pandemic has been declared over and the access issues in the Whitefeather Forest have been resolved.

b) In the second reference please explain and provide an updated loss productivity factor and cost impact of removing the majority of COVID-related restrictions from the COVID-19 Management Plan.

c) Please confirm if any participating First Nation COVID-19 protocols are currently in place. If yes, please explain these protocols, the expected duration and estimated cost.

Staff-45

Ref.: EB-2022-0149 Exhibit H Tab 2 / Schedule 2 / page 8
Exhibit H / Tab 2 / Schedule 2 / page 8

Preamble

In its previous applications, WPLP stated that the Federal Funding Initiative was a strong cost control mechanism and incremental expenditures related to COVID should be expensed as it was beneficial for the ratepayer. Furthermore, federally funded CIAC treatment for the Remote Connection Lines results in a reduction to the fixed monthly charges that WPLP recovers from HORCI, which will in turn result in HORCI needing to collect less revenue from the RRRP pool. Funding provided to the independent Trust will further reduce rate impacts for Ontario ratepayers because the independent Trust will be required to provide funds to the IESO to be applied against the total RRRP funding that the IESO needs to collect from Ontario ratepayers each month, until such time as the independent Trust's funds are exhausted.

In its current application WPLP states:

> Based on the current forecasted construction cost, not including any amounts that may ultimately be recorded for recovery in the proposed EPC COVID-Related Costs Deferral Account, the Owner's equity at the end of construction would be at the floor point on the sliding scale under the Federal Funding Framework. As such, whereas it was to the benefit of ratepayers in the initial rate application for COVID-related costs to be treated as an expense, it is now to the benefit of ratepayers for WPLP to treat COVID-related costs using the more standard approach, as capital.

Question(s)

a) Please elaborate why capitalizing COVID related costs is now to the benefit of the ratepayer, and clarify why and how the response differs from WPLP's position in EB-2022-0149.

b) Please explain and quantify the impact to the RRRP pool and the ratepayer upon capitalization after COVID related costs have been capitalized.

c) How does the change in accounting treatment of these COVID costs align with the overall objectives of the Federal Funding Framework and its intended impact on ratepayers?

d) Please explain and quantify the impact on Owner's Equity, Ratepayers and Trust Fund balance in the following 2 scenarios with the current forecast of costs:
   I. All the forecast pandemic costs are capitalized.
   II. All the forecast pandemic costs are expensed.