

September 28, 2023

RESS & EMAIL

Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Ms. Nancy Marconi, Registrar

Dear Ms. Marconi:

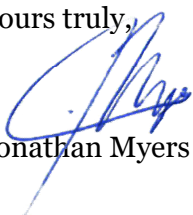
Re: Wataynikaneyap Power LP - Application for Approval of 2024 Electricity Transmission Rates (EB-2023-0168) – Applicant's Interrogatory Responses

We are legal counsel to Wataynikaneyap Power LP ("WPLP"), which is the applicant in the above-referenced proceeding. On behalf of WPLP, and in accordance with Procedural Order No. 1 issued on August 14, 2023, we are pleased to provide WPLP's responses to interrogatories from Ontario Energy Board staff.

Please note that certain responses require confidential treatment. Under separate cover to be filed shortly after the filing of these interrogatory responses, WPLP will be submitting its request for confidential treatment of those items in accordance with the OEB's *Practice Direction on Confidential Filings*.

If you have any questions, please do not hesitate to contact me at the number shown above.

Yours truly,



Jonathan Myers

cc: Ms. Margaret Kenequanash, WPLP
Mr. Duane Fecteau, WPLP
Mr. Charles Keizer, Torys LLP

BOARD STAFF – 01

Reference: 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(s):

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

Response:

- a) The following table provides a detailed breakdown of the 13 change orders.

	Title	Cost	Type	Description
1	C3W Reactor	\$126,167.01	Design Change	Additional engineering, procurement and construction costs as a result of changes to the protection modules, wiring and relays within Substation B to satisfy Hydro One Network Inc.'s preferred solutions to a C3W line differential zone which arose after designs were approved.
2	Relocation of Substation I	-	Routing Change	Confirmation that the relocation/movement of Substation I had no cost impacts on ingress or egress lines to substation.
3	Line DE Route Change	\$9,000,000.00	Routing Change	Additional costs as a result of a community request for a route change to line DE (segment to Muskrat Dam).
4	Pikangikum Community Segment Split	-	Scope Change	Contractual change to section of transmission line included in Pikangikum community segment.
5	SCADA Point Mapping	\$471,905.26	Scope Change	Additional engineering, procurement and construction costs as a result of changes to grouping of SCADA

				points to align more closely with Hydro One standards.
6	3" Conduit Installation SS Pickle Lake	\$48,327.99	Scope Change	Installation of 3" conduit at new Pickle Lake TS to support Bell's install of fibre from Wataynikaneyap Pickle Lake TS to HONI Pickle Lake SS.
7	E1 - Route Change	\$686,482.35	Routing Change	Additional costs for changes to the 25kV line E1 (Muskrat Dam) as a result of the route change on line DE.
8	Line L1 and KL Route Change	\$308,554.14	Routing Change	Additional routing costs as a result of relocation/movement of substation L.
9	P&C Changes to Station A and B	\$105,532.10	Scope Change	Additional engineering, procurement, installation and testing/commissioning of modifications to the tap position indication on transformer B-T1 at Station B and low-gas lockout alarm and associated logic changes for circuit breaker A-B1 at Substation A as well as RTAC configuration changes.
10	Automatic Reactor Switchers	\$43,691.58	Scope Change	Additional costs as a result of additional control functions added to automatically open any required reactor switchers following loss of supply to a substation.
11	Project Breaker Platforms	\$292,599.66	Scope Change	Additional engineering, procurement, and installation costs to add railings for all Project breaker platforms which are below 60cm and currently do not have railings installed.
12	Pikangikum Station Contingency Solution	\$74,217.36	Scope Change	Due to delay in Pikangikum conversion, incurred additional engineering, construction, and testing costs to confirm contingency solution that would allow Pikangikum T2 and the northern half of the Pikangikum station to be put back in service.
13	Bell Communications Substation A, B, and P	\$265,316.88	Scope Change	Additional engineering cost for Substation A for change in fibre service requirements, additional engineering, procurement and construction costs for Substation B

				for installation of additional fibre patch panel and additional engineering, procurement and construction costs for Substation P to accommodate additional fibre patch panel.
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BOARD STAFF - 02

Reference: 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.

Response:

- a) The Trust Agreement entered into by Canada, Ontario and CIBC Trust Corporation dated July 3, 2019, establishes (i) how and when the capital contribution shall be calculated, and (ii) the timing and mechanics for the distribution of federal funds from the Trust by the

Trustee. As recognized in the OEB's Decision and Order in EB-2018-0190, WPLP is not a party to the Trust Agreement and has no control or direction over the Trust.¹

Based on the Trust Agreement and subject to the federal appropriation of funds and payment of the funds to the Trust, the calculation of the capital contribution is required to occur within 10 business days of the later of (i) receipt by WPLP of the decision and order of the OEB establishing the initial electricity transmission rates in respect of the last segment of the Project that has come or will come into service (i.e. the decision and order on the current application, EB-2023-0168), and (ii) receipt by the Trustee of the second tranche of federal funds (which is forecasted to occur 30 days after all segments of the Project have come into service, which is currently scheduled for September 2024).

At the time specified above, Ontario shall, in consultation with WPLP, determine the amount of the capital contribution in accordance with the requirements of the Trust Agreement and provide the calculation to the Trustee. Within 5 business days of receiving the calculation, the Trustee will distribute the capital contribution from the Trust, first to Ontario to repay the Ontario Loan, and second, if there are funds remaining from the capital contribution after repayment of the Ontario Loan, to WPLP. The amount of funds to be distributed to WPLP will be the amount by which the capital contribution exceeds the Ontario Loan. To the extent there are funds remaining in the Trust after the distributions to Ontario and WPLP, the Trustee shall, on September 1 of each subsequent year, distribute such funds from the Trust to the IESO RRRP Variance Account in accordance with the requirements of the Trust Agreement.

- b) As explained in response to part (a) above, the timing for calculation of the capital contribution and the distribution of federal funds from the Trust is prescribed by the Trust Agreement. The Trust Agreement expressly provides that such calculation shall be made, on a forward test year basis, after the decision and order of the OEB establishing the initial electricity transmission rates in respect of the last segment of the Project that has come or will come into service, which as noted above will be the OEB's decision in the current application, EB-2023-0168. Furthermore, the distribution of federal funds is required to occur within 5 business days of the Trustee receiving the calculation, which will occur 30 days after all segments of the Project have come into service. As a result, the Trust contemplates the calculation and distribution of the capital contribution almost immediately following Project completion and does not require all capital costs to be known beforehand. Please refer to the response to Board Staff IR 10 (c) for additional information.
- c) Please refer to the response to part (b), above
- d) The timeline is currently unknown. It could take a further 6 to 30 months depending on whether arbitration is required as contemplated under the EPC Contract. For further information, please see WPLP's responses to Board Staff IRs 10(b) and 41(f).

¹ OEB, Decision and Order, EB-2018-0190, April 1, 2019, p. 12.

- e) WPLP confirms that, upon the conclusion of the discussions (or arbitration, if applicable) with the EPC Contractor, it is WPLP's intent to submit updated project costs in the next forward test year rate application for prudence and approach to disposition. As outlined in Exhibit H-1-1, WPLP's intention would be to record the amounts in the EPC COVID-Related Costs Deferral Account or the 2021-2023 COVID Construction Costs Deferral Account (as amended), as applicable, and subject to the OEB's approval in such forward test year rate application to add such amounts to WPLP's rate base. See also WPLP's responses to Board Staff IR 33(b) and (c).
- f) To the extent WPLP has identified and recorded COVID-19 capital construction costs for the inclusion in rate base for 2024,² WPLP has determined that WPLP is responsible for such costs under the EPC Contract and has allocated the amounts based on information provided by the EPC contractor. Such information provides support for the costs and indicates the group of assets the costs are associated with (i.e. Line to Pickle Lake, Red Lake Connection Lines or Pickle Lake Remote Connection Lines.). To the extent the costs are attributable to a specific asset they are recorded against that asset. To the extent the costs are not directly attributable to a specific asset within its respective group, the costs are allocated to each asset class within such group based on the value of each asset. WPLP further notes that, as it relates to COVID costs recognized or disclosed in the audited financial statements, 90% of the costs included in \$74.57 million have been subject to external audit.

The above costs do not cover all of the EPC Contractor's cost overruns – only those which WPLP has determined to date that it is responsible for. As it relates to the ongoing discussions between WPLP and the EPC contractor, if the EPC contractor provides a Contractor Change Request relating to the remaining cost overruns and the necessary information to support such Contractor Change Request under the EPC Contract, WPLP will allocate and record such additional amounts if and to the extent such amounts have been properly substantiated by the EPC Contractor and determined to be WPLP's responsibility under the EPC Contract. The timing for recording any such additional amounts will be based on receipt of the required information from the EPC contractor, as well as the time needed for WPLP's review of same, as opposed to being based on the timing of the completion of construction. Please refer to parts (d) and (e) above for additional information.

Furthermore, as indicated in response to Board Staff 20(b), WPLP has a robust accounting process to ensure its costs are identified, categorized, and accounted for appropriately. WPLP uses SAP (System Applications and Products in Data Processing), Docusign and Ipas (to track and categorize costs) software to manage the allocation of costs. In addition, these software packages are subject to internal audit and SAP processes are also tested as a part of WPLP's external audit.

² See Exhibit H-2-2, p. 4, lines 3-13.

BOARD STAFF – 03

Reference: 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.

Response:

- a) The ongoing discussions between WPLP and the EPC contractor regarding COVID-related costs and schedule impacts under the EPC contract relate to both the Line to Pickle Lake and the Remote Connections Lines.

As the discussions with the EPC contractor are still ongoing and the EPC contractor has not submitted a formal Contractor Change Request or the information necessary to support a Contractor Change Request under the EPC Contract, WPLP is not able to provide an amount or indicate the proportion related to the Line to Pickle Lake.

- b) WPLP has broken the question down for parts (b), (c) and (d) to provide the project balance sheet items (Debt, Equity and Cost of Capital) for immediately before and after receipt of federal funding and the Project income statement items as they relate to the annual 2024 revenue requirement before and after the receipt of funding, given these line items are based on annual or averaged values for the year. WPLP has assumed the cost of long-term debt and ROE would not change, but that the debt to equity structure would change to 60:40 and would include the deemed short-term debt rate for 4% of the 60% debt¹.

	Before Funding			After Funding		
	Line to Pickle Lake	Remote Connection Lines	Total	Line to Pickle Lake	Remote Connection Lines	Total
Provided in (\$000's)						
Balance Sheet						
Debt	226,530	846,076	1,072,606	186,605	413,395	600,000
Equity	84,478	315,522	400,000	124,403	275,597	400,000
Cost of Capital	6.81%	6.81%	6.81%	7.21%	7.21%	7.21%

The table below shows the income statement items used to calculate the 2024 test year service revenue requirement would not change before or after funding because the rate application was modeled with the expectation that federal funding would be received on December 31, 2024.

	Before Funding/After Funding		
	Line to Pickle Lake	Remote Connection Lines	Total
Provided in (\$000's)			
Rate Base	311,008	1,161,598	1,472,606
Regulated Return on Rate Base	21,164	79,047	100,212
OM&A Expenses	7,496	23,488	30,984
Depreciation Expense	6,582	23,851	30,433
Tax	106	396	502
Service Revenue Requirement	35,348	126,783	162,130

- c) The table below provides the balance sheet as if the federal funds were received on September 30, 2024, and based on the required debt to equity structure calculated using the average rate base for 2024, which are identical to the tables in response to part (b) above

¹Cost of capital rates used are the same as rates provided in rate application to remain consistent with evidence. An update to cost of capital rates is provided in response to Board Staff IR 34(a).

because, based on the Federal Funding Framework, the equity would be capped at \$400 million and the debt to equity structure would change to 60:40.

	Before Funding				After Funding		
	Line to Pickle Lake	Remote Connection Lines	Total		Line to Pickle Lake	Remote Connection Lines	Total
Provided in (\$000's)							
Balance Sheet							
Debt	226,530	846,076	1,072,606		186,605	413,395	600,000
Equity	84,478	315,522	400,000		124,403	275,597	400,000
Cost of Capital	6.81%	6.81%	6.81%		7.21%	7.21%	7.21%

The table below provides the income statement values for the 2024 revenue requirement. Given the funding would be received three months early, the average rate base would decrease, the depreciation would decrease and the cost of capital would increase given that a higher proportion of equity would be used in the debt to equity structure.

	Before Funding				After Funding		
	Line to Pickle Lake	Remote Connection Lines	Total		Line to Pickle Lake	Remote Connection Lines	Total
(Provided in \$000's)							
2024 Annual Rate Base	311,008	1,161,598	1,472,606		311,162	955,723	1,266,885
Regulated Return on Rate Base	21,164	79,047	100,212		21,651	66,501	88,153
OM&A Expenses	7,496	23,488	30,984		7,496	23,488	30,984
Depreciation Expense	6,582	23,851	30,433		6,608	20,276	26,883
Tax	106	396	502		122	374	495
Service Revenue Requirement	35,348	126,783	162,130		35,876	110,639	146,515
Projected Revenue Requirement	35,348	126,783	162,130		35,876	110,639	146,515

The difference between the regulated return on rate base, tax and depreciation, before and after funding, would be recorded in the proposed CIAC deferral account as a credit payable back to ratepayers. In Exhibit H-1-1 of the application, at pp. 13-14, WPLP provides an estimate that there would be a \$1.4M impact as a result of one month difference in when the CIAC is received. WPLP notes that the estimate of \$1.4M only took into account the variance in depreciation and was therefore not complete because it did not also quantify the variance that would occur based on the regulated return on rate base.

- d) The receipt of federal funding on March 31, 2025, would result in the 2024 revenue requirement being consistent with the tables provided in response to part(b), above, because the funding was factored into the 2024 revenue requirement model based on the assumption it would be provided on December 31, 2024, thereby not impacting the average values used in 2024 for rate making purposes.

WPLP is not in a position to provide the forecasted 2025 rate base additions or 2025 revenue requirement as this will be part of a future rate application. However, to illustrate the impact

of federal funding on the CIAC deferral account, WPLP has estimated that based on federal funding being received on March 31, 2025 and assuming the 2025 revenue requirement was calculated with the expectation funding would have been received December 31, 2024, there would be depreciation variance of \$10.3 million and a regulated return on rate base variance of \$20.8 million, which would be recoverable by WPLP. This is the opposite to the scenario in Board Staff IR 3(c) which is a payable back to ratepayers. Additional assumptions WPLP has used to calculate the variance include: using the ending 2024 gross asset and accumulated depreciation, no rate base additions in 2025, assumed OM&A is consistent with 2024 and no change to WACC rates. The tables below show the 2025 Balance sheet and 2025 Revenue Requirement if funds were received December 31, 2024 and the 2025 Balance Sheet and 2025 Revenue Requirement if the federal funding was not received until March 31, 2025.

(Provided in \$000's)	Before Funding			After Funding		
	Line to Pickle Lake	Remote Connection Lines	Total	Line to Pickle Lake	Remote Connection Lines	Total
Balance Sheet						
Debt	237,233	1,068,118	1,305,351	185,957	414,043	600,000
Equity	72,696	327,304	400,000	123,971	276,029	400,000
Cost of Capital*	6.67%	6.67%	6.67%	7.21%	7.21%	7.21%

*Cost of capital reduced in 2025 based on the proportion of debt to equity, ROE and debt rates are consistent with 2024 rate application before funding. Similar to other balance sheets provided above, after funding the cost of capital is updated with 60:40 debt to equity structure and 4% of debt is short-term at the OEB prescribed rate for 2023.

(Provided in \$000's)	Receipt of Funds December 31, 2024			Receipt of Funds March 31, 2025		
	Line to Pickle Lake	Remote Connection Lines	Total	Line to Pickle Lake	Remote Connection Lines	Total
2025 Annual Rate Base	306,352	693,648	1,000,000	306,707	1,042,091	1,348,798
Regulated Return on Rate Base	22,093	50,023	72,116	21,135	71,810	92,945
OM&A Expenses	7,496	23,488	30,984	7,496	23,488	30,984
Depreciation Expense	6,767	18,907	25,674	6,656	29,375	36,031
Tax	152	344	495	113	383	495
Service Revenue Requirement	36,507	92,762	129,269	35,399	125,056	160,454

BOARD STAFF - 04

Reference: 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(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.

Response:

- a) Table below shows the current forecasted in-service dates for 15 line segments of the Red Lake Connection Lines shown in Appendix B of Exhibit B-2-1 Appendix B.

Asset Designation	Description	Current Forecast In-Service Date
Red Lake Remote Connection Lines		
Line PQ*	115 kV - Red Lake SS to Pikangikum TS	12-May-23
Line WQR	115 kV - Pikangikum TS to Poplar Hill SS	18-Apr-24
Line WRS	115 kV - Poplar Hill SS to Poplar Hill TS	18-Apr-24
Line WRT	115 kV - Poplar Hill SS to Deer Lake SS	16-May-24
Line WTU	115 kV - Deer Lake SS to Deer Lake TS	16-May-24
Line WTZ	115 kV - Deer Lake SS to Sandy Lake SS	16-Jun-24
Line WZW	115 kV - Sandy Lake SS to Sandy Lake TS	16-Jun-24
Line WZV	115 kV - Sandy Lake SS to North Spirit Lake TS	14-Jul-24
Line WVY	115 kV – North Spirit Lake TS to Keewaywin TS	11-Aug-24
Line Q1	25 kV – Pikangikum TS to HORCI 25 kV	12-May-23 ¹
Line S1	25 kV – Poplar Hill TS to HORCI 25 kV	18-Apr-24
Line U1	25 kV – Deer Lake TS to HORCI 25 kV	16-May-24

¹ This line was in-service as a distribution asset prior to this date.

Line W1	25 kV – Sandy Lake TS to HORCI 25 kV	16-Jun-24
Line V1	25 kV – North Spirit Lake TS to HORCI 25 kV	14-Jul-24
Line Y1	25 kV – Keewaywin TS to HORCI 25 kV	11-Aug-24

*95.5 km of the WPQ line segment was constructed in 2018 as part of the 98.9 km 44 kV line that was constructed between Hydro One's 44 kV system near Red Lake and the Pikangikum TS. The remaining 20.3 km of 115 kV line was constructed between the Red Lake TS and the existing 44 kV Pikangikum Line, which became the new transmission supply and resulted in the entire WPQ line segment operating at 115 kV following a voltage conversion outage on May 12, 2023. The remaining 3.4 km (98.9 km constructed less 95.5 km converted to 115 kV) of the 44 kV distribution line constructed in 2018 will be decommissioned as part of the EPC contract scope of work.

BOARD STAFF - 05

Reference: 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.

Response:

- a) WPLP confirms that the lines and substations listed with a "Current Forecast In-Service Date" prior to May 30, 2023 can be considered as in-service.
- b) If the 2023 and 2024 in-service additions (after May 31st, 2023) were delayed by 1 month, the revenue requirement for 2024 would decrease by \$4.1 million. If the 2023 and 2024 in-service additions (after May 31st 2023) were delayed by 2 months, the revenue requirement

for 2024 would decrease by \$8.6 million. Any revenue requirement changes due to delays in in-service dates would be recorded in In-Service Date Variance Account.

- c) Construction of the planned 2023 and 2024 in-service rate base additions is proceeding according to or slightly ahead of the May 30, 2023 construction schedule. WPLP does not intend to update its capital cost forecast, OM&A forecasts, in-service additions (or the impacts of changes to in-service additions on the calculation of rate base and load forecast) during the remainder of the proceeding as there are deferral and variance accounts included in the rate application which, collectively, provide appropriate mitigation for the risks of changes.

For changes in the capital cost forecast, WPLP has requested the new Federal CIAC Variance Account to account for revenue requirement changes based on the date the capital contribution is received. In addition, WPLP has the existing Construction Period Interest Costs Variance Account to capture variances on interest rates. For OM&A costs, WPLP has proposed the continuance of the Construction Period OM&A Variance Account which returns any unspent OM&A funds. In relation to changes to in-service dates, WPLP has requested to maintain the In-Service Date Variance Account to capture any revenue requirement changes as a result of changes to asset in-service dates.

BOARD STAFF - 06

Reference: 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?

Response:

- a) Please see the following table (\$000's):

Category	Frequency of Activity	2024	2025	2026
Station Inspections	Quarterly	1,308	1,804	1,804
Station Equipment Maintenance	See Note 1	378	851	1,409
Aerial Line Inspections	Annual – See Note 2	549	951	1,111
Ground Inspections	6-year cycle – See Note 3	1,180	1,182	1,218
Climbing Inspections	See Note 3	366	377	131
Stations Emergency/Reactive (Estimate)	As Needed	1,106	1,393	1,434
Lines Emergency/Reactive (Estimate)	As Needed	1,228	1,884	1,940

TOTAL (Estimate)		6,116	8,442	9,048
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Notes:

- 1- 2-year cycle for electrical/mechanical testing and maintenance of transformers and oil-filled reactors, starting with a reduced quantity in 2024 due to staggered in-service timing; 5-year cycle for circuit breaker maintenance, starting in 2025;
 - 2- Aerial inspections include line segments that were in service during the prior calendar year, resulting in full system inspections starting in 2025. 2026 includes addition of thermal scanning.
 - 3- Ground and climbing inspections on a 6-year cycle, starting in 2024.
- b) The interim control room services came into service coincident with the energization of WPLP's Line to Pickle Lake assets in August 2022. Control room services for additional assets will come into service coincident with the energization of each line segment and substation, with advanced coordination between WPLP and HONI related to SLD review, SCADA points mapping, database configuration and points testing during commissioning for each substation.
- c) The operating service agreement between HONI and WPLP provides for automatic one-year renewal periods. Either party may terminate the agreement with at least one year prior notice. Annual costs with all assets in-service for an entire year are forecast to be approximately \$2.7 million, subject to inflationary adjustments and/or changes to HONI's cost allocation model for provision of these services.
- d) WPLP does not have a specific forecasted date for having its own control room in service at this time. As stated in Exhibit B-1-5 at p. 21, WPLP expects to re-evaluate the scope and timing of its longer-term strategy for control room operations, considering the costs and term of its interim control room services agreement with Hydro One, as well as operating experience with this arrangement.

BOARD STAFF - 07

Reference: 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.

Response:

- a) WPLP has proposed to only transfer out of the 2021-2023 CCCDA to CWIP the 2021-2023 COVID-19 costs that WPLP has determined it is responsible for under the EPC Contract and which have been substantiated based on information provided by Valard to date. WPLP notes that \$68.37 million or 91.44% of the costs it is proposing to transfer to CWIP have been audited, with the remaining \$6.4 million or 8.56% being readily identifiable and forecasted by WPLP. Any additional COVID-19 related costs which may be substantiated and for which WPLP may be responsible upon the conclusion of the ongoing discussions with Valard, and which can be attributed to the 2020-2023 period, will be recorded in the 2021-2023 CCCDA (as amended) at such time and will be subject to a future rate application, as noted in Exhibit H-2-1, p. 6. Please see response to Board Staff IR 2(f) for additional information. WPLP has requested capital treatment of the costs it is proposing in this application to transfer to CWIP as the costs are capital in nature and from an accounting perspective meet the definition of a capital asset. Moreover, as explained in response to part (b), below, it is to the benefit of customers for the amounts, which WPLP proposes to transfer to CWIP, to be treated as capital.

- b) As noted in response to part (a), above, the costs are capital in nature and from an accounting perspective meet the definition of a capital asset. WPLP's proposed treatment is consistent with the nature of the costs being capital. Furthermore, as noted in Exhibit H-2-2, 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 or the 2021-2023 CCCDA (as amended), 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, in the current application it is to the benefit of ratepayers for WPLP to treat COVID-related costs using the more standard approach, as capital. In addition, the recording of COVID-19 costs as capital would result in the costs being recovered over the life of the underlying assets, the rate impacts of which can be partially offset by the proceeds of the Trust as a result of the capital contribution. In the absence of a net benefit to rate payers, a 4-year disposition period would be contrary to the principle of intergenerational equity.

With respect to the request for references to relevant OEB decisions that support WPLP's suggested approach, WPLP provides as follows:

- in EB-2010-0291, Great Lakes Power Transmission LP (GLPT) received approval from the OEB on February 2, 2011 to establish a deferral account to record costs incurred and to be incurred in respect of a claim from a contractor (Comstock Canada Ltd.) relating to a design build contract for a transmission reinforcement project that had been approved in EB-2003-0162. The OEB authorized establishment of the Comstock Claim Deferral Account, including GLPT's ability to record costs relating to the historical and bridge years (2007-2010) and going forward until the claim was resolved. The history of the account and its disposition is explained in Exhibit 5-1-2 of EB-2016-0356.
- in connection with the East-West Tie Project, NextBridge has reported in its quarterly progress reports (EB-2017-0182) that costs associated with COVID-19 will not be known until well after construction is completed. It had its rates set in EB-2020-0150, including adding its project facilities to rate base, with the COVID costs being recorded in Account 1509 subject to disposition subsequent to the in-service date for the project.

BOARD STAFF - 08

Reference: 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?

Response:

- a) As further discussed in response to (b), below, WPLP is only proposing that any incremental 2020 COVID costs, which are additional to the costs recognized in its 2020 audited financial statements and that are already in rates, be recognized as capital costs in a future application. As noted in Exhibit H-2-2, at p. 9, based on WPLP's current forecasted construction cost, not including any amounts that may ultimately be recorded for recovery in the proposed amended 2021-2023 COVID Construction Costs Deferral Account and the proposed EPC COVID-Related Costs Deferral Account following resolution of final EPC costs with the EPC contractor, 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, in the current application it is to the benefit of ratepayers for WPLP to treat COVID-related costs using the more standard approach, as capital. In addition, the recording of COVID-19 costs as capital would result in the costs being recovered over the life of the asset, which costs can be partially offset by the proceeds of the Trust through its contributions to the IESO to offset RRRP rates, as compared to being recovered over a 4-year period, which would be contrary to the principle of intergenerational equity.

- b) It was unknown to WPLP at the time of WPLP's prior filings that there may be incremental COVID costs relating to 2020, and we are not requesting these costs be recorded in rate base until a future rate application. As explained in Exhibit H-2-2 at p. 1, in addition to the known COVID-related costs incurred under the EPC contract in 2020, which were approximately \$17.4 million, as well as additional known amounts in 2021-2022, there are COVID-19 costs incremental to these known amounts that are the subject of discussions currently progressing between WPLP and its EPC contractor in relation to EPC costs and schedule. As these additional costs are the subject of ongoing discussions between the parties, they remain uncertain. While these additional costs may relate to the period since the onset of the pandemic in early 2020, due to their remaining uncertainty they have not been recognized by WPLP as having been incurred given the status of the discussions to date. WPLP's proposal does not amount to retroactive ratemaking because the costs at issue have not been recognized as having been incurred by WPLP. If and when the discussions are concluded or the issues between the parties are otherwise resolved, then upon reaching a final settlement or determination in relation to those matters WPLP would recognize the underlying amounts, which could include amounts relating to 2020, as having been incurred. On the basis that any such amounts would only be incurred by WPLP upon reaching a settlement or determination at a future date, and having established a regulatory account to capture any such amounts, it is WPLP's view that the recovery of any such amounts, notwithstanding that they may relate to work undertaken by the EPC contractor in 2020, would not amount to retroactive ratemaking.
- c) See response to (b), above. Furthermore, the audited financial statements accrued for COVID-19 costs based on known liabilities and likely liabilities (that can be reasonably estimated) as at December 31, 2020 up until the date the auditors report was signed April 14, 2021. WPLP was not aware of any additional costs incurred in 2020. However, based on discussions with the EPC contractor on outstanding costs, WPLP is now aware there may be costs that were incurred in 2020, which WPLP would need to seek recovery of if and when recorded in WPLP's financial statements in the year the costs are determined.
- d) The additional costs would be primarily related to incremental construction costs that the EPC contractor takes the position arose from the implementation of COVID-19 health and safety measures, as well as other COVID-19 related impacts. The details of those costs are under discussion with the EPC contractor.
- e) WPLP expects that, in addition to Whitefeather access issues, this account would capture additional COVID-19 related costs that primarily relate to incremental construction costs that the EPC contractor takes the position arose from the implementation of COVID-19 health

and safety measures and are currently under discussion between WPLP and the EPC contractor. Additional context in relation to 2024, but which is likely also applicable to 2020-2023, is provided in response to Board Staff IR 43 (a).

BOARD STAFF - 09

Reference: 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.

Response:

- a) Establishing the requested sub-account for the purpose of tracking certain COVID related capital costs does not require prudence or the approach to disposition to have been determined. CWIP Account 2055 is already available as a standard account under the Accounting Procedures Handbook. While we do not think that adding a new sub-account to an existing available standard account requires review against the OEB's standard three-part test for creating accounts, WPLP nevertheless believes that the proposed sub-account to track amounts would satisfy the OEB's test. We further note that the consideration of prudence for purposes of approving the establishment of an account is not in relation to the final determination of prudence for the actual costs incurred, which would instead be considered upon disposition of the recorded amounts.

WPLP is asking for the proposed sub-account to bring greater transparency to the treatment of WPLP's COVID related amounts which it is proposing to transfer from the 2021-2023 CCCDA to CWIP, and which it is further proposing to add to rate base - in part as of January 1, 2024 in relation to assets that are in service, and in part during 2024 as the remaining assets go into service. As it relates to the amounts WPLP is proposing to add to rate base from the sub-account, WPLP's evidence regarding in-service additions is set out in Exhibit C-2-1 and the amounts being added to rate base from the sub-account are more particularly described in Exhibit H-2-2 at p. 4.

Furthermore, WPLP notes that the scope of the proposed sub-account, being in relation to the period from 2020 onward, is intended to accommodate the possibility that WPLP, in future following the conclusion of the discussions with the EPC contractor, incurs and records any

amounts relating to such period which need to be transferred into CWIP to facilitate their future disposition in a future rate period.

- b) It is not correct that the sub-account would be used to track COVID related capital costs where the cost information is not known and is subject to the discussions with the EPC contractor. Rather, as indicated in response to part (a), above, the sub-account will be used in the near term to track amounts transferred from the 2021-2023 CCCDA which are known and for which WPLP has accepted responsibility for under the EPC contract, as well as their subsequent disposition to rate base as assets come into service. In the longer term, the sub-account would be available for use in relation to any amount that may arise from resolution of the discussions. Those amounts would be recorded either in the amended 2021-2023 CCCDA or in the proposed EPC COVID Related Costs Deferral Account, after which there may be a need to transfer them to the proposed CWIP sub-account to facilitate their disposition to rate base. As such, costs would only be recorded in the proposed sub-account once they are known to WPLP based on specific cost information, and their disposition or transfer from the deferral accounts has been approved by the OEB.

BOARD STAFF - 10

Reference: 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.

Response:

- a) WPLP is proposing to establish a new EPC COVID-19 Related Costs Deferral Account that relates to COVID-19 related costs incurred in 2024 or later that are the result of the continued impact on the Project of COVID-19-related circumstances that occurred in March 2023 or before.

[REDACTED]

The EPC Contractor is responsible for demonstrating any follow-on impacts if and when it submits a Contractor Change Request for COVID-19 relief in accordance with requirements under the EPC contract.

[REDACTED]

See also WPLP's response to Board Staff IR 43(a).

- b) Discussions with the EPC contractor are ongoing and the EPC contractor has not yet submitted a claim and Contractor Change Request or the necessary information to support any such claim and Contractor Change Request under the EPC Contract. The amount of any

claim under the EPC Contract and any amount related to COVID-19 costs that may be incurred in 2024 or later remain unknown, but will likely be material.

- c) As noted in response to Board Staff IR 2(a) and (b), the timing for determining the capital contribution and for distributing the funding to WPLP is determined under the Trust Agreement between Canada, Ontario and CIBC Trust Corporation dated July 3, 2019. Incurring COVID-19 related costs on the Project in 2024 or later will not impact the timing of either the determination of the capital contribution or the distribution of funding to WPLP and, therefore, would not have any impact on rate base in 2024. Please also see WPLP's responses to Board Staff IRs 33 (b) and (c).

BOARD STAFF - 11

Reference: 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 MNRFP 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 MNRFP 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 MNRFP 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 prudence 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.

Response:

- a) The table below provides a detailed breakdown of the increase in EPC costs related to transmission lines.

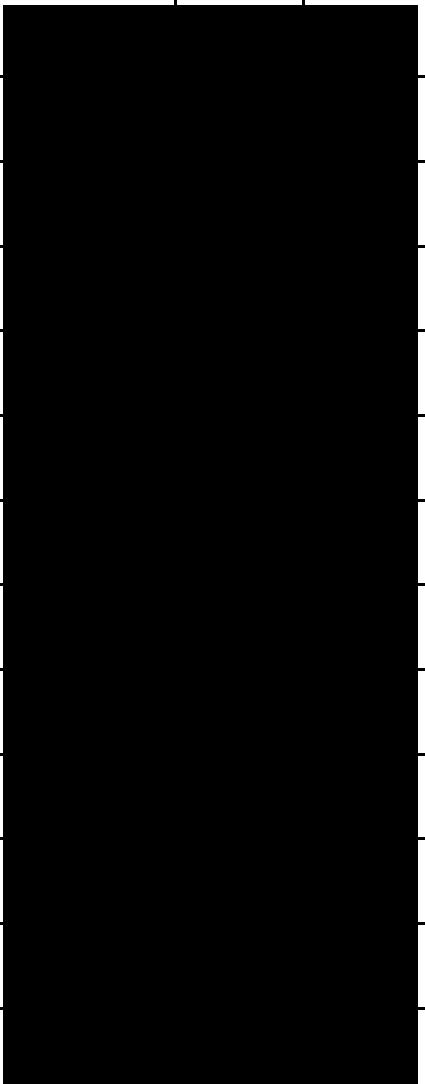
Transmission Lines	Total Variance	Executed Change Orders		
		Routing	Scope Additions	
Transmission Line Facilities - Line to Pickle Lake	-	-	-	
Transmission Line Facilities - Remote Connection Lines	4,854	702	-	

- b) The table below provides a detailed breakdown of the increase in EPC costs related to stations.

Stations	Total Variance	Executed Change Orders		
		Routing	Scope Additions	
Station Facilities - Line to Pickle Lake	454	-	194	
Station Facilities - Remote Connection Lines	6,332	-	473	

- c) The increase in EPC costs for transmission line facilities and station facilities were initially considered through WPLP's risk management process. WPLP with assistance from its Owner's Engineer, Hatch, analyzed the risk to determine the provisional value, and subsequently requested that the EPC contractor provide change order details as required under the EPC Contract. Once received, WPLP with assistance from Hatch utilized the unit pricing included in the EPC Contract and their previous experience to determine if the costs were reasonable. To the extent the risks were not identified by the EPC contractor, or the EPC contractor did not provide an estimate, WPLP with the assistance of Hatch used unit pricing in the contract and their past experience to determine the proper value.

- d) Confirmed. For further details, see response to Board Staff IR 36 (a).
- e) Not confirmed. The Forecast with COVID Costs in Table 3 can be allocated to the Line to Pickle Lake or Remote Connection Lines. The COVID-19 costs of \$74.57 million included in the Forecast with COVID Costs in Table 3 has been allocated to the Line to Pickle Lake and Remote Connection Lines in Exhibit C-2-1 Table 1.
- f) The following table compares EPC costs between the 2022 rate application as amended and the current forecast for the transmission lines coming into service in 2024.

Asset Designation	Description	EPC Costs		Variance
		2022 Rate Application as Amended	Current Cost Forecast	
Line WKM	115 kV – Wawakapewin TS to KI-Wapekeka TS	38,996		
Line M+/M-	25 kV – KI-Wapekeka TS to HORCI 25 kV	146		
Line WQR	115 kV - Pikangikum TS to Poplar Hill SS	35,079		
Line WRS	115 kV - Poplar Hill SS to Poplar Hill TS	23,283		A
Line WRT	115 kV - Poplar Hill SS to Deer Lake SS	67,718		
Line WTU	115 kV - Deer Lake SS to Deer Lake TS	20,746		B
Line WTZ	115 kV - Deer Lake SS to Sandy Lake SS	21,702		C
Line WZW	115 kV - Sandy Lake SS to Sandy Lake TS	68,854		D
Line WZV	115 kV - Sandy Lake SS to North Spirit Lake TS	22,430		E
Line S1	25 kV – Poplar Hill TS to HORCI 25 kV	1,607		F
Line U1	25 kV – Deer Lake TS to HORCI 25 kV	137		
Line W1	25 kV – Sandy Lake TS to HORCI 25 kV	231		
Line V1	25 kV – North Spirit Lake TS to HORCI 25 kV	565		

Line Y1	25 kV – Keewaywin TS to HORCI 25 kV	639				
		302,133	321,473	19,340		

(A) [REDACTED] and minor change orders for scope changes of \$14K.

(B) [REDACTED], and minor change orders for scope changes of \$14K.

(C) [REDACTED], and minor change orders for scope changes of \$16K.

(D) [REDACTED], and minor change orders for scope changes of \$16K.

(E) [REDACTED], and minor change orders for scope changes of \$14K.

(F) [REDACTED] and a change in routing approved change order for \$115K as a result of safety concerns for a line segment near Poplar Hill Airport.

g) The following table compares EPC costs between the 2022 rate application as amended and the current forecast for the stations coming into service in 2024.

Asset Designation	Description	EPC Costs		Variance	
		2022 Rate Application as Amended	Current Cost Forecast		
Station M	KI-Wapekeka TS	16,350	[REDACTED]		
Station R	Poplar Hill SS	11,197			
Station S	Poplar Hill TS	11,961			
Station T	Deer Lake SS	10,688			A
Station U	Deer Lake TS	11,533			B
Station V	North Spirit Lake TS	18,989			C
Station W	Sandy Lake TS	13,858			

Station Y	Keewaywin TS	13,614				
Station Z	Sandy Lake SS	11,332				
		119,522	128,667	9,145		

(A) [REDACTED] and additional scope change orders of \$129K which include items like additional grounding line switches and the addition breaker platform railings for safety concerns.

(B) [REDACTED] and additional scope change orders of \$46K which includes items like additional grounding line switch and the addition breaker platform railings for safety concerns.

(C) [REDACTED] and additional scope change orders of \$64K which include items like additional grounding line switches and the addition breaker platform railings for safety concerns.

(D) [REDACTED] and additional scope change orders of \$129K which include items like additional grounding line switches and the addition breaker platform railings for safety concerns.

BOARD STAFF - 12

Reference: 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(s):

- 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?
-

Response:

- a) Of the \$21.18 million increase in capitalized interest costs, \$3.04 million is attributable to construction schedule changes and \$18.14 million is attributable to rising interest rates.

BOARD STAFF - 13

Reference: 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.

Response:

- a) The primary driver of the reduction in the EPC Excluded category is a reduction in the forecasted costs for interconnection activities with Hydro One Remote Communities Inc. based on work completed to date and expected costs to connect remaining transmission assets (\$2.96 million). The driver of the remaining reduction in the EPC Excluded category is realized savings on Office capital from 2022 spend actuals (\$0.12 million).
- b) The primary driver of the cost reduction in the Engineering, Design, Project/Construction Management & Procurement category is realized savings from Owner Engineer/Independent Engineer services which had savings of \$3 million in 2022 with additional realized savings in internal labour of \$0.4 million. Other cost savings include travel and other department administration costs for an additional \$0.45 million in savings. These savings are partially offset by additional cost forecasts (\$0.5 million) for remote helicopter work.

BOARD STAFF – 14

Reference: 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.

Response:

- a) There are \$3.82 million in change orders included in the contingency amount of \$65,375,502. This will result in an addition of approximately \$0.15 million to the DCDA before carrying charges.

- b) WPLP confirms that the \$81.88 million contingency is not included in rate base. This contingency is sufficient to cover known risks to the project based on Quantitative Risk Analysis completed by Owner's Engineer, excluding the outstanding COVID related costs that are the subject of ongoing discussions with the EPC contractor. As stated in footnote 13 of Exhibit B-1-5, those amounts are allocated outside of the contingency analysis.
- c) WPLP is unable to provide contingency by individual line section and individual substation, as the QRA analysis calculates contingency based on Project risks at a project level. The only way WPLP could allocate contingency to line segments and substations would be to use a weighted average of EPC Contract value, but this would provide no valuable comparison.

Based on the commitment in the settlement agreement in EB-2021-0134, WPLP provided on a collective basis for all line segments and stations being placed in service in 2024, the variance and use of contingency amounts between the values in the application and the Leave to Construct proceeding in Table 5 of Exhibit C-2-1. The variance for 2023 additions was provided in a similar table in EB-2022-0149, Exhibit C-2-1 Table 5.

BOARD STAFF - 15

Reference: 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).

Response:

- a) The updated Table A-3 based on the “in service addition” amounts that are described in Exhibit C is provided below. However, WPLP notes that this would be a restatement of the audited 2022 allocation percentages. This method of calculation is not practical given that the inclusion of executed change orders would change the allocations as they are executed causing continual re-statement. In contrast, the method that has been used in the 2022 and 2023 applications, as well as the current application which has been subject to external audit, relies on the executed EPC contract values.

An updated Table A-2, with references to new numbers has been included to reconcile to the final project amount.

Item	Costs (\$000's)	Ref
EPC Contract Costs	1,432,779	Exhibit C-2-1 A - Table A-1
EPC Excluded Costs	19,257	Exhibit C-2-1 A - Table A-1
Non EPC Attributed Capital	121,757	Exhibit C-2-1 A - Table A-1
Capitalized Overhead Costs	70,663	Exhibit C-2-1 A - Table A-1
		Exhibit C-2-1 A - Table A-1
COVID-19 Costs	74,570	Exhibit C-2-1 A - Table A-1
Pikangikum Costs	61,000	

Qtr	Month	Cumulative Assets in Service		New Cost Allocation	
		Amount (\$000's)	% of Total	% OM&A	% Capital
Q1 2019	Jan-19			3.4%	96.6%
	Feb-19				
	Mar-19				
Q3 2022	Jul-22			14.2%	85.8%
	Aug-22				
	Sep-22				
Q4 2022	Oct-22			38.9%	61.1%
	Nov-22				
	Dec-22				
Q1 2023	Jan-23			40.8%	59.2%
	Feb-23				
	Mar-23				
Q2 2023	Apr-23			42.8%	57.2%
	May-23				
	Jun-23				
Q3 2023	Jul-23			59.5%	40.5%
	Aug-23				
	Sep-23				
Q4 2023	Oct-23			63.2%	36.8%
	Nov-23				
	Dec-23				
Q1 2024	Jan-24			68.1%	31.9%
	Feb-24				
	Mar-24				
Q2 2024	Apr-24			84.6%	15.4%
	May-24				
	Jun-24				
Q3 2024	Jul-24			98.2%	1.8%
	Aug-24				
	Sep-24				
Q4 2024	Oct-24			100.0%	0.0%
	Nov-24				
	Dec-24				

- b) The updated Table A-4 based on the updated Table A-3 from question a), above, is provided below, and results in a higher allocation to OM&A based on the higher allocation to operations suggested in the table above.

Category	Item	Forecasted Overhead Costs 2019-2024 (\$000's) Update		
		Capital	OM&A	Total
Overhead	Labour and Departmental Costs	30,700	16,473	47,173
	Environmental Services	4,259	534	4,793
	Other Consultants (Allocate)	5,409	2,217	7,626
	Indigenous Engagement & Communications	10,249	6,224	16,473
	Stakeholder Engagement	346	53	399
	Indigenous Participation and Training	12,810	5,642	18,452
	Administrative Costs	6,048	2,495	8,543
	Total	69,821	33,638	103,460

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Reference: 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.
-

Response:

- a) WPLP provided this breakdown in Exhibit B-1-5, Appendix A, Table A-1.
- b) The table below provides an itemized breakdown of the overhead costs from 2019 to 2024.

	2019	2020	2021	2022	2023	2024	Total	Variance 2023-2024	Ref
Labour and Departmental Costs									
Labour and Affiliate Services	4,147	4,285	4,846	5,793	7,499	5,460	32,032	-27%	
Equipment and Supplies	131	25	24	68	132	162	542	22%	(A)
Software	19	27	23	66	186	169	490	-9%	
Meetings	16	15	26	49	171	244	522	43%	(A)
Training	26	12	38	32	130	104	341	-20%	
Travel	861	210	158	403	1,300	1,556	4,489	20%	(A)
Rents	1,053	682	591	2,198	2,037	2,004	8,565	-2%	
Other	14	16	30	33	52	48	194	-9%	
	6,269	5,271	5,736	8,642	11,507	9,748	47,173		
Environmental Services	2,900	623	374	216	403	278	4,793	-31%	
Other Consultants (Allocate)									
Legal		104	251	291	415	440	1,501	6%	(B)
Advisory Services (includes Audit)	938	1,220	1,047	466	768	790	5,229	3%	
Accounting Services	131	63	-	28	50	51	323	2%	
IT Support Services	-	-	-	54	122	125	301	2%	
Other		91	73	63	23	23	272	2%	
	1,069	1,479	1,371	901	1,377	1,429	7,626		
Indigenous Engagement & Communications									
Affiliate Services	494	279	1,122	1,195	1,165	1,228	5,485	5%	(C)
Contracted Services	827	1,241	913	521	1,512	1,562	6,575	3%	
Meetings	87	85	73	109	813	587	1,754	-28%	
Travel	264	45	60	351	40	106	867	165%	(D)
Other	375	483	162	188	293	293	1,793	0%	
	2,047	2,134	2,330	2,365	3,822	3,776	16,473		
Stakeholder Engagement									
Affiliate Services	74	-	-	-	-	-	74	-	
Contracted Services	38	-	-	-	-	-	38	-	
Meetings	-	-	-	9	3	-	11	-	
Travel	79	-	-	1	-	-	80	-	
Other	12	19	69	65	32	-	196	-	
	202	19	69	75	34	-	399	-	
Indigenous Participation and Training									
Affiliate Services	1,149	1,636	1,149	1,112	1,560	1,188	7,793	-24%	
Contracted Services	1,214	399	457	335	580	1,611	4,596	178%	(E)
Meetings	501	51	104	212	1,237	461	2,567	-63%	
Travel	612	155	424	336	49	277	1,854	465%	(E)
Other	360	346	371	126	207	233	1,643	13%	(E)
	3,836	2,586	2,505	2,122	3,633	3,770	18,452		
Administrative Costs									
Affiliate Services	1,071	1,096	1,104	1,157	1,240	1,265	6,932	2%	
Office Supplies	316	161	139	116	140	143	1,016	2%	
Rent*	-	-	-	112	145	148	406	2%	
Utilities *	-	-	-	12	73	74	159	2%	
Other*	-	-	-	11	10	10	31	4%	
	1,388	1,257	1,242	1,408	1,608	1,640	8,543		
Total	17,710	13,369	13,628	15,728	22,384	20,642	103,460		

*Expenses were included in Office supplies bucket prior to 2022.

c) Explanations provided below for any items with cost increases of more than 5% from 2023-2024 based on the table in part (b), above.

(A) All cost increases in equipment, meetings and travel are a result of energization meetings with communities. Given the remoteness and number of communities anticipated to be energized in 2024, additional costs are required.

(B) Additional legal corporate matters budget provided given end of construction and transition to full operations expected in 2024.

(C) Additional engagement services for energizations and permanent access planning.

(D) Additional employee travel to remote communities for engagement activities given first full year without impacts of COVID-19.

(E) Individual line-item changes between 2023 and 2024 are a result of the reclassification of expenses for training programs in the budget. The 2024 budget groups all training costs into the Contracted Services line item, but the 2023 budget mapped training costs between Contracted Services, Meetings, Travel and Other costs based on how the training costs were expected to be incurred for training programs. The Contracted Services in 2024 are inclusive of program tuition, equipment, lodging, meals, and other participant incidentals and should be reviewed in their totality as between 2023 and 2024, rather on a line-by-line basis. Notwithstanding the increases greater than 5% in several of the subcategories, the total change for Indigenous Participation and Training between 2023 and 2024 is a 3.8% increase.

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Reference: 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?
-

Response:

- a) WPLP clarifies that the labeling in this part of the table was incorrect. The pole replacement was for Line PQ which was built in 2018 and was recently converted to a transmission asset in May 2023. This replacement was due to woodpecker damage on the pole and includes cost of pole replacement with third party costs to install. Given this asset was fully funded through a contribution in aid of construction, WPLP has written off the cost and deferred contribution for the poles replaced and is requesting that the new costs be included in rate base as sustaining capital work.
- b) As these costs are a betterment and replacing a woodpecker damaged pole, WPLP is requesting to capitalize the costs incurred to replace the damaged poles.

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Reference: 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.
-

Response:

- a) The cost impacts of the 2021 forest fires/MNRF fire prevention orders have not been finalized.
- b) WPLP continues to have discussions with the EPC contractor on cost impacts related to the 2021 forest fires/MNRF fire prevention orders, however WPLP cannot estimate a finalization date at this time.

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Reference: 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(s):

- 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.

Response:

- a) The following table compares EPC costs between the 2022 rate application as amended and the current forecast for the line sections and substation that were accelerated into service in 2023. Please note that the variance does not include COVID-19 costs as those additions are requested as at January 1, 2024.

Asset Designation	Description	EPC Costs		Variance		
		2022 Rate Application as Amended	Current Cost Forecast			
Line WEG	115 kV – Muskrat Dam TS to Sachigo Lake TS	51,483	50,489	-994	-2%	
Line G1	25 kV – Sachigo Lake TS to HORCI 25 kV	1,312	1,865	553	42%	A
Station G	Sachigo Lake TS	16,538	16,789	251	2%	

(A) This is a result of the re-route to Line G1 from overhead to underground based on proximity to Sachigo Lake First Nation Airport, resulting in increased costs of \$0.55 million. The re-routing was required to address aviation regulations and health and safety concerns associated with proximity to the Sachigo Lake First Nation Airport.

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Reference: 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)		0	0	
COVID-19 Costs	74,570	0	0	74,570
Contingency		0	81,882	81,882
Total		215,232	81,882	
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):

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

Response:

- The costs of \$70,663K in Table A-1 are considered overhead costs in accordance with WPLP's Overhead cost Allocation methodology, found in Appendix A of Exhibit B-1-5

Based on this methodology, total overhead costs that are subject to the allocation methodology of \$103,460K have been allocated between OM&A (\$32,797K) and capital (\$70,663K), as detailed in Table A-4 of Exhibit B-1. The value of \$215,232K captures all of the following:

- a. \$12,800K in EPC costs that are general in nature and are therefore allocated proportionally to EPC fixed asset costs for the purpose of capitalization.
 - b. \$10,012K in capital costs that WPLP excluded from the EPC contract scope that are general in nature (e.g. insurance, LiDAR, stumpage, etc.) and are therefore allocated proportionally to EPC fixed asset costs for the purpose of capitalization.
 - c. \$121,757 in costs related to overheads which are 100% capital and are therefore not part of the allocation methodology discussed above (e.g. development costs, Owner's Engineer, Independent Engineer, certain legal cost, etc.)
 - d. \$70,663K in overhead costs allocated to capital, based on the allocation methodology described above.
- b) The overall overhead costs are evaluated annually to ensure reasonableness based on historical information and future expected work scope. From WPLP's perspective, the methodology is a fair representation of the time and effort spent on operational activities and construction. The methodology provided in Appendix A of Exhibit B-1-5, is consistent with WPLP's practice in prior years and has been subject to audit in accordance with Accounting Standards for Private Enterprises since the completion of the Pikangikum distribution system. To ensure there is no duplication, WPLP has a robust budgeting, forecasting and accounting process to ensure its costs are identified, categorized, and accounted for in a manner that avoids duplication. WPLP uses SAP (System Applications and Products in Data Processing), Docusign and Ipas (to track and categorize costs) software to manage these processes. In addition, these software packages are subject to internal audit and SAP processes are also tested as part of WPLP's external audit.
- c) WPLP assumes the reference in the question to 2021 was intended to refer to 2023. The 2022 amount of \$92,493K has been capitalized and has been subject to external audit. WPLP is following the same approach for 2023 in-service assets with the total value of \$57,754K to be capitalized by the end of 2023.

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Reference: 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.

Response:

- a) As indicated in response to OEB Staff IR-014 (c), the contingency is calculated based on Project risks at a project level and cannot be provided as values broken down to the individual line segments and stations to be placed in service in 2024.
- b) WPLP is unable to update the additions to fixed asset accounts because, as indicated in response to part (a), above, the contingency is not calculated in a manner that allows for allocation to each line segment and substation. While it would be possible to calculate a weighted average of EPC cost per line segment and substation, this would provide no value because, based on realized cost impacts of project risks to date, the risks to the project are not proportional to the EPC contract value for each line segment and substation.
- c) For the reasons described in response to part (b), above, WPLP is not able to provide the requested explanation. WPLP further notes that, as described in Exhibit H-1-1, p. 8, it is not seeking to add contingency to its rate base in this application consistent with the approach that was approved in EB-2022-0149. As a result, there is no impact on ratepayers other than potentially increasing the cap on the Deferred Contingency Deferral Account, which would

enable incremental amounts to be recorded that would be subject to consideration in a future OEB rate proceeding.

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Reference: 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(s):

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

Response:

- a) The audited financial statements include the costs for Pikangikum assets that were energized in 2018 under the distribution license and fully covered through a contribution in aid of construction. The tables below show the adjustments to remove Pikangikum assets and show the Cost, Accumulated Depreciation and Net Book Value which tie to the figures in FA continuity.

Cost of Assets	Audited Financial Statements	Pikangikum Assets	Audited 2022 Asset Additions
Land Rights	55	55	-
Station Equipment	129,757	12,318	117,439
Towers and Fixtures	255,217	-	255,217
Poles and Fixtures	23,701	21,974	1,728
Overhead conductors and devices	327,316	22,511	304,804
Transportation equipment	155	-	155
	736,201	56,858	679,343

Accumulated Depreciation	Audited Financial Statements	Pikangikum Assets	Audited 2022 Asset Additions
Land Rights	5	5	-
Station Equipment	1,538	985	553
Towers and Fixtures	975	-	975
Poles and Fixtures	1,957	1,953	4
Overhead conductors and devices	3,512	1,955	1,557
Transportation equipment	16	-	16
	8,003	4,899	3,104

Net Book Value	Audited Financial Statements	Pikangikum Assets	Audited 2022 Asset Additions
Land Rights	49	49	-
Station Equipment	128,218	11,332	116,886
Towers and Fixtures	254,242	-	254,242
Poles and Fixtures	21,744	20,020	1,724
Overhead conductors and devices	323,804	20,557	303,247
Transportation equipment	140	-	140
	728,198	51,959	676,238

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Reference: 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.

Question(s):

- 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%.

Response:

- a) The table below provides the projected OM&A cost per kilometer of line and OM&A cost per station for years 2023 and 2024.

	2023	2024
Total OM&A (\$000's)	\$ 19,874	\$ 30,984
Km of Transmission Line	1,187.00	1,742.00
# of Substations	12	22
OM&A Cost per Km of Line	\$ 16.76	\$ 17.79
OM&A Cost per Station	\$ 1,656.17	\$ 1,408.36

- b) The table below compares the values calculated in response to part (a), above, with the projected values for 2023 and 2024 as calculated in the benchmarking study.

	2023	2024
OM&A Cost (\$000s) per Km of Line	\$ 16.74	\$ 17.79
Benchmark Study Cost (\$000s) per Km of Line	\$ 15.69	\$ 17.49
Variance	\$ 1.05	\$ 0.30
% Variance	6.7%	1.7%
OM&A Cost (\$000s) per Station	\$ 1,656.17	\$ 1,408.36
Benchmark Study Cost (\$000s) per Station	\$ 1,626.63	\$ 1,536.98
Variance	\$ 29.53	-\$ 128.62
% Variance	1.8%	-8.4%

- c) The table below compares the values calculated in response to part (a), above, with the values provided in the 2022 Performance Report filed by WPLP in EB-2021-0134. Due to the timing and frequency of significant additions to in-service assets during the 2022 construction period, the cost allocation method applied during the construction period, and the lag between assets being placed in service and ramping up various O&M programs related to those assets, the OM&A unit costs listed for 2022 should not be considered indicative of WPLP's expected long-term cost performance.

	2023	2024
OM&A Cost (\$000s) per Km of Line	\$ 16.74	\$ 17.79
2022 Performance Report Cost (\$000s) per Km of Line	\$ 5.75	\$ 5.75
Variance	\$ 11.00	\$ 12.04
% Variance	191.3%	209.4%
OM&A Cost (\$000s) per Station	\$ 1,656.17	\$ 1,408.36
2022 Performance Report Cost (\$000s) per Station	\$ 659.42	\$ 659.42
Variance	\$ 996.75	\$ 748.95
% Variance	151.2%	113.6%

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Reference: 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.

Response:

- a) WPLP confirms that the reference to 2023 was in error and that the 2024 forecast overhead costs were used to determine the forecast for 2024 OM&A costs.
- b) The table below reflects an update based on the updated Table A-3 from WPLP’s response to OEB Staff IR-15 (a).

	Category of Expense	2022 OM&A Actuals	2023 OM&A Budget	2024 OM&A Cost Driver (\$000's)				Variance
				Operations	Maintenance	Administration	Total	
Direct Operating	Direct O&M Labour	0	317	904	904	0	1,808	1,491
	Controlling Authority (3rd Party)	294	3,120	2,355	0	0	2,355	-765
	Substation and Line Routine Maintenance	279	1,463	3,700	0	0	3,700	2,237
	Emergency Response	0	1,776	0	3,282	0	3,282	1,506
	Forestry	0	506	0	767	0	767	261
	Other (Material, Fleet, Insurance)	337	987	375	277	374	1,026	39
	<i>Sub-Total</i>	909	8,169	7,334	5,231	374	12,939	4,770
Overhead Costs Allocated to OM&A	Labour and Departmental Costs	1,893	6,014	1,725	0	6,821	8,546	2,532
	Environmental Services	48	234	251	0	0	251	17
	Other Consultants	116	602	732	0	768	1,500	898
	Indigenous Engagement & Communications	639	2,160	779	0	2,646	3,425	1,265
	Stakeholder Engagement	3	50	0	0	0	0	-50
	Indigenous Participation and Training	187	2,034	0	0	3,421	3,421	1,387
	Administrative Costs	141	834	0	0	1,520	1,520	686
	<i>Sub-Total</i>	3,027	11,928	3,487	0	15,176	18,663	6,735
Total		3,937	20,097	10,821	5,231	15,550	31,602	11,505

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Reference: 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(s):

- 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

Response:

- a) As it relates to the Direct O&M Labour category, WPLP reviewed the work performed by its operational employees to determine if their time should be considered overhead or direct operating cost given their day to day work performed. The majority of these employees were initially hired prior to assets being in service and were expected to support the set up of assets during construction. Now that a significant portion of the assets are in-service, the review of work performed determined that these employees are no longer supporting construction activities and instead should be directly charged to operations. As a result, WPLP has allocated the costs of such employees directly to operations as they are only working on operations and maintenance programs. See also WPLP's response to Board Staff IR 20(b).

Substation and Line Routine Maintenance is based on the executed PowerTel contract for maintenance and inspection activities. Under that contract, as more line segments and stations are brought into service, there is a need for increased inspection and maintenance activity, which drives up the costs in this category. Further details of these costs are provided in response to Board Staff IR 6 (a).

Emergency Response and Reactive maintenance is forecasted based on the assets that are in-service during the year. As more assets are energized, more assets are susceptible to damage or failure requiring emergency or reactive response and the forecasted costs in this category increase.

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Reference: 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(s):

- 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.

Response:

- a) The tables below providing a complete five-year OM&A forecast.

As WPLP is continuing to gain historical information on operating the WPLP transmission system and future requirements of the new in-service assets, the 2025-2027 OM&A forecast is subject to change.

	Cost Driver Description	2023 OM&A	2024 OM&A Cost Driver (\$000's)				2025 OM&A Cost Driver (\$000's)			
			Operations	Maintenance	Administration	Total	Operations	Maintenance	Administration	Total
Direct Operating	Direct O&M Labour	317	904	904	0	1,809	922	922	0	1,845
	Controlling Authority (3rd Party)	3,120	2,355	0	0	2,355	2,742	0	0	2,742
	Substation and Line Routine Maintenance	1,463	3,700	0	0	3,700	6,970	0	0	6,970
	Emergency Response	1,776	0	3,282	0	3,282	0	3,708	0	3,708
	Forestry	506	0	767	0	767	0	1,094	0	1,094
	Other (Material, Fleet, Insurance)	987	375	277	374	1,026	375	240	454	1,069
	<i>Sub-Total</i>	<i>8,169</i>	<i>7,334</i>	<i>5,231</i>	<i>374</i>	<i>12,939</i>	<i>11,009</i>	<i>5,964</i>	<i>454</i>	<i>17,427</i>
Overhead Costs Allocated to OM&A	Labour and Departmental Costs	5,899	1,725	0	6,535	8,259	1,759	0	7,210	8,970
	Environmental Services	230	244	0	0	244	284	0	0	284
	Other Consultants (Allocate)	588	732	0	726	1,458	747	0	744	1,490
	Indigenous Engagement & Communications	2,122	779	0	2,531	3,310	0	0	3,852	3,852
	Stakeholder Engagement	50	0	0	0	0	0	0	0	0
	Indigenous Participation and Training	1,998	0	0	3,305	3,305	0	0	3,846	3,846
	Administrative Costs	818	0	0	1,469	1,469	0	0	1,709	1,709
	<i>Sub-Total</i>	<i>11,705</i>	<i>3,480</i>	<i>0</i>	<i>14,565</i>	<i>18,045</i>	<i>2,790</i>	<i>0</i>	<i>17,360</i>	<i>20,150</i>
Total		19,874	10,814	5,231	14,939	30,984	13,799	5,964	17,814	37,577

	Cost Driver Description	2026 OM&A Cost Driver (\$000's)				2027 OM&A Cost Driver (\$000's)			
		Operations	Maintenance	Administration	Total	Operations	Maintenance	Administration	Total
Direct Operating	Direct O&M Labour	941	941	0	1,882	960	960	0	1,919
	Controlling Authority (3rd Party)	2,797	0	0	2,797	2,853	0	0	2,853
	Substation and Line Routine Maintenance	7,508	0	0	7,508	7,903	0	0	7,903
	Emergency Response	0	3,814	0	3,814	0	3,891	0	3,891
	Forestry	0	2,697	0	2,697	0	2,709	0	2,709
	Other (Material, Fleet, Insurance)	483	292	463	1,238	485	363	471	1,319
	<i>Sub-Total</i>	<i>11,728</i>	<i>7,745</i>	<i>463</i>	<i>19,935</i>	<i>12,200</i>	<i>7,922</i>	<i>471</i>	<i>20,593</i>
Overhead Costs Allocated to OM&A	Labour and Departmental Costs	1,794	0	7,355	9,149	1,830	0	7,502	9,332
	Environmental Services	290	0	0	290	295	0	0	295
	Other Consultants (Allocate)	732	0	788	1,520	747	0	804	1,550
	Indigenous Engagement & Communications	0	0	3,929	3,929	0	0	4,007	4,007
	Stakeholder Engagement	0	0	0	0	0	0	0	0
	Indigenous Participation and Training	0	0	3,923	3,923	0	0	4,001	4,001
	Administrative Costs	0	0	1,743	1,743	0	0	1,778	1,778
	<i>Sub-Total</i>	<i>2,816</i>	<i>0</i>	<i>17,737</i>	<i>20,553</i>	<i>2,872</i>	<i>0</i>	<i>18,092</i>	<i>20,964</i>
Total		14,544	7,745	18,200	40,489	15,072	7,922	18,563	41,557

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Reference: 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(s):

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

Response:

- a) A detailed breakdown of the items and costs for each of the six categories of expenses for indirect operating costs is provided in the table below.

Category of Expense	\$ (000's)
Labour and Departmental Costs	

Labour	3,034
Affiliate Services	1382
Equipment and Supplies	142
Travel	1627
Rents	1,725
Other	349
	8,259
Environmental Services (GIS Support)	244
Other Consultants	
EA Monitoring Support	731
Legal	540
Audit Fees	110
Other	77
	1458
Indigenous Engagement & Communications and Stakeholder Engagement	
Affiliate Services	1,077
Community and Tribal Council Support	1,369
Communications	66
Software	10
Events/Meetings	515
Travel	93
Other	181
	3,310
Indigenous Participation and Training	
Affiliate Services	1,042
Environmental Communications	399
Training Programs	1,012
Events/Meetings	404
Travel	243
Other	205
	3,305
Administrative Costs	
Affiliate Services	1,109
Office Supplies	116
Rent	130

Utilities	65
Other	49
	1,469
Total	18,045

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Reference: 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(s):

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

Response:

- a) WPLP has hired multiple contract employees for the construction period which was originally anticipated to end in 2023. The construction contracts included retention payments to be paid in 2023, thus the increase in costs for 2023. Given construction is now planned into 2024, WPLP has extended the construction contracts. As a result, the number of employees did not change, but the extended construction contracts do not include retention bonuses. Consequently, the costs decreases in 2024 compared to 2023.

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Reference: 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.

Response:

- a) The table below provides a detailed breakdown of WPLP's 2024 costs in relation to Indigenous and Métis Engagement (including training). Given these costs are considered overhead costs, in accordance with WPLP's Overhead Cost Allocation methodology, found in Appendix A of Exhibit B-1-5, the table below also provides the allocation between Capital and Indirect Operating costs.

	Notes	Capital (\$000's)	Indirect Operating (\$000's)	Total (\$000's)
Indigenous Engagement & Communications				
Affiliate Costs (Labour)	(A)	152	1,077	1,228
Community and Tribal Council Support	(B)	193	1,369	1,562
Communications	(D)	9	66	75
Software	(E)	1	10	12
Events/Meetings	(F)	72	515	587
Travel	(G)	13	93	106
Other		26	181	207
		466	3,310	3,776
2023 Totals for Comparison		1,959	2,275	4,234

Indigenous Participation and Training					
	Affiliate Costs (Labour)	(A)	147	1,042	1,188
	Environmental Communications	(C)	56	399	456
	Training Programs	(H)	143	1,012	1,155
	Events/Meetings	(F)	57	404	461
	Travel	(G)	34	243	277
	Other		29	205	234
			466	3,305	3,770
2023 Totals for Comparison			1,859	2,142	4,002

- (A) OSLP services related to administering project and programs for WPLP relating to community engagement, community readiness, education and training, business readiness, stakeholder engagement, communications and capacity building.
- (B) Community Liaison and Tribal Council support to aid in information sharing and ensuring appropriate communication with communities. These services help mitigate access related risk for the project.
- (C) Indigenous knowledge advisory and training services for environmental and land use monitoring.
- (D) Communications and publication costs, including social media integration/promotion, brochures and radio ads on positive Indigenous impacts of the Project.
- (E) Engagement tracking software for records of engagement.
- (F) Includes 1 in-person community meeting per community (24 meetings), 14 Project specific meetings/events on unique issues facing the Project and/or ceremonies, and 1 regional event for Community Liaisons on environmental monitoring, business readiness and Indigenous participation. These costs include travel for participants, room and incidental costs and elder services.
- (G) Travel costs associated with OSLP employees for purposes of administering projects and programs described in (A), above. OSLP employee travel is not included in points (F) or (H), only travel costs for participants.
- (H) Training programs include Vegetation Management training, Substation training, First Responder training, Business Management Training and other certificate-based training. Costs include tuition/program delivery, accommodations, transportation, training facilities and other participant incidentals/support services.
- b) Total costs for Indigenous Engagement & Communications from 2023 to 2024, as well as for Indigenous Participation & Training from 2023 to 2024, have decreased but the allocations to Indirect Operating have increased given these costs are considered overhead costs, and in accordance with WPLP's Overhead Cost Allocation methodology. As WPLP is transitioning to operations, the engagement meetings and community supports are increasingly used for connected communities.

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Reference: 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(s):

- 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.

Response:

- a) WPLP confirms that it is using a 50-year useful life for Account 1908 Buildings and fixtures as noted in Table 1 of Exhibit F, Schedule 4 Tab 1. Please see the amended Table 3 of Exhibit F, Schedule 4 Tab 1, below, with the corrected depreciation rate for Account 1908. This update has no impact on calculations within rate application because all calculations were performed using a 50-year useful life for building and fixture additions.

Table 3 – Amended Comparison of Useful Lives

WPLP			CNPI Useful Life Range ¹	FNEI Useful Life Range ²	GLPT Useful Life Range ³	Kinectrics	
OEB Account and Description	Useful Life (Yrs)	Depreciation Rate				Category/Component	Useful Life Range
1715 - Station Equipment (Station and Transformers)	50	2.00%	50	10-50	45-50	Power Transformers (Overall)	30-60
						Rigid Busbars	30-60
						Steel Structure	35-90
1715A - Station Equipment (Switches and Breakers)	40	2.50%	40		30-45	Station Independent Breakers	35-65
						Station Switch	30-60
1715B - Station Equipment (Protection and Control)	20	5.00%	20		5-20	DC System (Overall)	15-20
						Digital & Numeric Relays	15-20
1720 - Towers and Fixtures	60	1.67%	45	N/A	60	N/A ⁴	
1725 - Poles and Fixtures	45	2.22%	45	15-40	45	Fully Dressed Wood Pole (Overall)	35-75
1730 - Overhead Conductor and Devices	45	2.22%	45	25-60	60	Overhead Conductors	50-75
1908 - Buildings and Fixtures	50	2.00%	N/A	20-40	25	Administrative Buildings	50-75
1915 - Office Furniture and Equipment	10	10.00%	N/A	4-10	10	Office Equipment	5-15
1930 - Transportation Equipment	5-10	10.00-20.00%	N/A	5-7	5	Vehicles (Various)	5-20
1611 – Computer Software	5	20.00%	N/A	4	5-15	Computer Software	2-5

¹ EB-2014-0204, Exhibit 4, Tab 10, Schedule 2, p.1.

² EB-2016-0231, IRR 6-Staff-30(e).

³ EB-2014-0238, Exhibit 4, Tab 3, Schedule 1, p.2.

⁴ The Kinectrics Depreciation Study did not include lattice steel structures.

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Reference: Exhibit F / Tab 5 / Schedule 1

Question(s):

- 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.

Response:

- a) Please see the table below, which sets out the 2023 bridge year calculation of income tax expense. WPLP notes that it made an error in calculating the 2024 opening balance of tax loss carry-forwards and the opening balances of UCC in the CCA table. The change to the opening balance of the tax loss carry-forward and the appropriate opening balances of UCC have been reflected for 2024 in the updated calculations below. These changes have no impacts on WPLP's revenue requirement calculations within the application given WPLP is in a tax loss position.

WPLP
Calculation of Utility Income Taxes
2023 Test Year
(\$000's)

SUMMARY OF TAX EXPENSE	
	2023
First Nation LP	0
Fortis (WP) LP	424
Total	424

WPLP

Line No.	Particulars	2023
	<u>Determination of Taxable Income</u>	
1	Regulatory Net Income (before tax)	32,048 (1)
2	Book to Tax Adjustments:	
3	Depreciation and amortization	17,050
4	Capital Cost Allowance	-124,150
5	Other	-3,121
6	Total Adjustments	\$ -110,221
7	Regulatory Taxable Income/(Loss) before Loss Carry Forward	\$ -78,173
	<u>Allocation of Taxable Income</u>	
8	First Nation LP (51%)	-39,868
9	Fortis (WP) LP (49%)	-38,305
10	Total	\$ -78,173
	<u>Tax Rates</u>	
11	Federal Tax	15.00 %
12	Provincial Tax	11.50 %
13	Total Tax Rate	26.5 %

(1) The regulated income of \$29,258,914 provided in G-2-1 Table 1 has been grossed up for tax purposes.

WPLP
Calculation of Utility Income Taxes
2023 Test Year
(\$000's)

First Nation LP

Line No.	Particulars	2023
	<u>Determination of Taxable Income</u>	
1	Allocation of Taxable Income from WPLP	-39,868
4	Tax Rate	0.00 %
5	Income Tax Expense	\$ <u>0</u>
	<u>Determination of Corporate Minimum Tax</u>	
	Allocation of Accounting Income from WPLP	16,344
	Corporate Minimum Tax Rate	0.00 %
	Corporate Minimum Tax Payable (Utilized)	\$ <u>0</u>
	Total Taxes Expense for First Nation LP	\$ <u><u>0</u></u>

WPLP
Calculation of Utility Income Taxes
2023 Test Year
(\$000's)

Fortis (WP) LP

Line No.	Particulars	2023
	<u>Determination of Taxable Income</u>	
1	Allocation of Taxable Income from WPLP	-38,305
2	Loss Carryforward	38,305
3	Taxable Income after Loss Carryforward	<u>0</u>
4	Tax Rate	26.50 %
5	Income Tax Expense	\$ <u>0</u>
	<u>Loss Continuity Schedule</u>	
6	Opening Losses Carryforward	-37,388
7	Losses (Incurred)/Utilized during the year	<u>-38,305</u>
8	Closing Losses Carryforward	<u>-75,693</u>
	<u>Determination of Corporate Minimum Tax</u>	
9	Allocation of Accounting Income from WPLP	15,703
10	Corporate Minimum Tax Rate	<u>2.70 %</u>
11	Corporate Minimum Tax Potentially Applicable	424
12	Ontario Income Tax	<u>0</u>
13	Corporate Minimum Tax Payable (Utilized)	\$ <u>424</u>
14	Opening CMT Credit Carryforward	143
15	CMT Credit Incurred/(Utilized)	<u>424</u>
16	Closing CMT Credit Carryforward	<u>567</u>
17	Total Taxes Expense for Fortis (WP) LP	\$ <u><u>424</u></u>

WPLP
Calculationn of Utility Income Taxes
2023 Test Year
(\$000's)

<u>CCA Class</u>	<u>Opening UCC</u>	<u>Net Additions</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate</u>	<u>CCA</u>	<u>Accelerated CCA Initiative</u>	<u>Closing UCC</u>
1	-	-	-	-	-	0.04	-	-	-
8	-	300	300	(150)	150	0.20	30	60	210
10.1	121	-	121	-	121	0.30	36	18	67
12	-	40	40	(20)	20	1.00	20	20	-
47	598,663	434,381	1,033,044	(217,191)	815,854	0.08	65,268	58,697	909,079
UCC	598,784	434,721	1,033,505	(217,361)	816,145		65,355	58,795	909,355
TOTAL CCA							124,150		

WPLP
Calculation of Utility Income Taxes
2024 Test Year
(\$000's)

SUMMARY OF TAX EXPENSE	
	2024
First Nation LP	0
Fortis (WP) LP	502
Total	502

WPLP

Line No.	Particulars	2024
	<u>Determination of Taxable Income</u>	
1	Regulatory Net Income (before tax)	37,942 (1)
2	Book to Tax Adjustments:	
3	Depreciation and amortization	30,433
4	Capital Cost Allowance	-52,860
5	Other	0
6	Total Adjustments	\$ -22,427
7	Regulatory Taxable Income/(Loss) before Loss Carry Forward	\$ 15,515
	<u>Allocation of Taxable Income</u>	
8	First Nation LP (51%)	7,913
9	Fortis (WP) LP (49%)	7,602
10	Total	\$ 15,515
	<u>Tax Rates</u>	
11	Federal Tax	15.00 %
12	Provincial Tax	11.50 %
13	Total Tax Rate	26.5 %

(1) The regulated income of \$37,440,000 provided in G-2-1 Table 1 has been grossed up for tax purposes.

WPLP
Calculation of Utility Income Taxes
2024 Test Year
(\$000's)

First Nation LP

Line No.	Particulars	2024
	<u>Determination of Taxable Income</u>	
1	Allocation of Taxable Income from WPLP	7,913
4	Tax Rate	0.00 %
5	Income Tax Expense	\$ 0
	<u>Determination of Corporate Minimum Tax</u>	
	Allocation of Accounting Income from WPLP	19,350
	Corporate Minimum Tax Rate	0.00 %
	Corporate Minimum Tax Payable (Utilized)	\$ 0
	Total Taxes Expense for First Nation LP	\$ 0

WPLP
Calculation of Utility Income Taxes
2024 Test Year
(\$000's)

Fortis (WP) LP

Line No.	Particulars	2024
	<u>Determination of Taxable Income</u>	
1	Allocation of Taxable Income from WPLP	7,602
2	Loss Carryforward	<u>-7,602</u>
3	Taxable Income after Loss Carryforward	0
4	Tax Rate	26.50 %
5	Income Tax Expense	\$ <u>0</u>
	<u>Loss Continuity Schedule</u>	
6	Opening Losses Carryforward	-75,693
7	Losses (Incurred)/Utilized during the year	<u>7,602</u>
8	Closing Losses Carryforward	-68,091
	<u>Determination of Corporate Minimum Tax</u>	
9	Allocation of Accounting Income from WPLP	18,592
10	Corporate Minimum Tax Rate	<u>2.70 %</u>
11	Corporate Minimum Tax Potentially Applicable	502
12	Ontario Income Tax	<u>0</u>
13	Corporate Minimum Tax Payable (Utilized)	\$ <u>502</u>
14	Opening CMT Credit Carryforward	567
15	CMT Credit Incurred/(Utilized)	<u>502</u>
16	Closing CMT Credit Carryforward	1,069
17	Total Taxes Expense for Fortis (WP) LP	\$ <u><u>502</u></u>

WPLP
Calculationn of Utility Income Taxes
2024 Test Year
(\$000's)

<u>CCA Class</u>	<u>Opening UCC</u>	<u>Net Additions</u>	<u>Contribution in Aid of Construction</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate</u>	<u>CCA</u>	<u>Accelerated CCA Initiative</u>	<u>Closing UCC</u>
1	-	5,000	-	5,000	(2,500)	2,500	0.04	100	200	4,700
8	210	80	-	290	(40)	250	0.20	50	37	203
10.1	67	670	-	737	(335)	402	0.30	121	211	405
12	-	3,000	-	3,000	(1,500)	1,500	1.00	1,500	-	1,500
47	909,079	632,995	(750,808)	791,265	(316,497)	474,768	0.08	37,981	12,660	1,491,432
UCC	909,356	641,745	(750,808)	800,292	(320,872)	479,420		39,752	13,108	1,498,241
TOTAL CCA								52,860		

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Reference: 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(s):

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

Response:

- a) The funding provided under the Federal Funding Framework, including the portion to be provided to WPLP as a capital contribution and the portion that will be used to offset amounts in the IESO's RRRP Variance Account, was negotiated for the purpose of supporting the connection of the Remote Communities. As a result, WPLP will allocate the capital contribution from the federal funding to the Remote Connection Lines first. As indicated in response to Board Staff IR 42 in EB-2018-0190, it is theoretically possible that the capital contribution could be greater than the rate base additions associated with the Remote Connection Lines, in which case the excess would be allocated to the Line to Pickle Lake. However, as indicated in that response this would be (and continues to be) extremely unlikely.

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Reference: 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.

Response:

- a) Confirmed
- b) WPLP agreed as part of the Federal Funding Framework to seek rates deviating from the OEB's deemed 40% equity structure until such time that the capital contribution is determined and received thereunder. WPLP believes that the OEB's 40% deemed equity structure would be appropriate for all rate base additions not considered when determining the capital contribution under the Federal Funding Framework.
- c) As indicated in response to Board Staff IR 2, the timing and amount of the capital contribution is determined under the Trust Agreement entered into between Canada, Ontario and CIBC Trust Corporation dated July 3, 2019. To the extent there are substantiated

COVID-19 related capital costs that the parties determine Valard is entitled to, which were not considered when determining the capital contribution pursuant to the Trust Agreement, WPLP's intention would be to propose in a future rate application that any such costs be added to rate base while maintaining the OEB's deemed equity structure at 40%.

As noted in response to Board Staff IR 2(a), WPLP notes that any federal funds not distributed to WPLP from the Trust by the Trustee will remain in the Trust and be distributed to the IESO RRRP Variance Account for the benefit of the Ontario ratepayer. Please refer to the response to Board Staff IR 45 for additional information.

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Reference: 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.

Response:

- a) WPLP has determined that Table 2 of Exhibit G-2-1 contains an error which resulted in the proportions being inconsistent with those specified in the CTIA. More particularly, when calculating the average principal amount for the Ontario Facility, the calculation in error took into consideration the Federal Funding Contribution before December 31, 2024. This had the effect of reducing the 2024 Principal (12-month average) and the 2024 interest and fees reported in Table 2. WPLP has corrected Table 2 to reflect the appropriate average principal amount and the appropriate 2024 interest and fees. The result is that WPLP's cost rate for long-term debt has changed from 5.85% to 5.76%. WPLP has therefore reflected this change in Exhibit G-2-1, Table 1, which results in a reduction in WPLP's cost of capital by approximately \$1 million. WPLP has further reflected this correction in Exhibit I-2-1, Table 6 to ensure the appropriate allocations of the corrected revenue requirement to the Line to Pickle Lake and the Remote Connection Lines. Each of these corrected tables is provided in Appendix 'A' to this response, below. Tables related to the calculation of uniform transmission rates and customer bill impacts have not been updated at this time due to immaterial impact. WPLP will reflect this correction at the time of its rate order.
- b) The table in Appendix 'B', below, sets out the detailed calculations of the 2024 Ontario Facility interest rate and fees and the 2024 Senior Bank Lenders interest rates and fees and

the comparisons to the 2023 interest rates and fees. The calculation methodology has remained consistent with using the prior year closing rate of the filing year (December 31, 2021 for 2023 calculations and December 31, 2022 for 2024 calculations). Both the Ontario T-bill rate and CDOR rates significantly increased between these periods. To mitigate the impacts of interest rate changes, WPLP has proposed in the 2024 rate application to continue to use the Construction Period Interest Costs Variance Account.

Appendix A – Amendments to Cost of Debt and Subsequent Tables

Exhibit G-2-1 - Table 1 – Capital Structure and Cost of Capital

	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Long-term Debt	72.8%	\$1,072,606,245	5.76%	\$61,759,446
Short-term Debt	0.0%	\$0	4.79%	\$0
<i>Total Debt</i>	72.8%	<i>\$1,072,606,245</i>	5.76%	<i>\$61,759,446</i>
<i>Common Equity</i>	27.2%	<i>\$400,000,000</i>	9.36%	<i>\$37,440,000</i>
Total	100%	\$1,472,606,245	6.74%	\$99,199,446

Exhibit G-2-1 - Table 2 – Debt Facilities and Cost of Long-Term Debt

Description	Lender	2024 Principal (\$) (12-month Average)	2024 Interest & Fees (\$)	Rate (%)
Ontario Facility	Province of Ontario	892,756,463	44,410,797	4.98%
Senior Bank Facility	Senior Bank Lenders	450,780,204	32,938,151	7.31%
Total		1,343,356,667	77,348,948	5.76%

Exhibit I-2-1 Table 6 – Allocation of 2024 Revenue Requirement

	LTPL	RCL	Total	Reference
Gross Fixed Assets (avg)	322,021,112	1,184,387,681	1,506,408,792	C-3-1
Accumulated Depreciation (avg)	-11,012,718	-22,789,830	-33,802,548	C-3-1
Net Fixed Assets (avg)	311,008,394	1,161,597,851	1,472,606,245	C-1-1
Working Capital Allowance	0	0	0	C-4-1
Rate Base	311,008,394	1,161,597,851	1,472,606,245	C-1-1
Regulated Rate of Return	6.74%	6.74%	6.74%	G-2-1
Regulated Return on Rate Base	20,950,516	78,248,931	99,199,446	G-2-1
OM&A Expenses	7,495,539	23,488,149	30,983,687	F-2-1
Property Taxes	0	0	0	F-5-1
Depreciation Expense	6,582,078	23,851,013	30,433,091	F-4-1
Income Taxes	106,014	395,958	501,972	F-5-1
Service Revenue Requirement	35,134,147	125,984,050	161,118,196	

Other Revenue Offset	0	0	0	E-3-1
Base Revenue Requirement	35,134,147	125,984,050	161,118,196	
Disposition of Pikangikum Distribution System Deferral Account	0	1,899,734	1,899,734	H-2-1
Disposition of COVID Construction Costs Deferral Account (CCCD A)	3,516,436	1,526,521	5,042,957	H-2-1
Disposition of In-Service Date Variance Account (ISDVA)	-1,763,962	-2,601,017	-4,364,979	H-2-1
Disposition of Period Interest Costs Variance Account (CPICVA)	551,307	425,256	976,563	H-2-1
Disposition of Deferred Contingency Deferral Account (DCDA)	5,747	603	6,350	H-2-1
Revenue Requirement for Rates	37,443,675	127,235,147	164,678,822	

Appendix B

2024 Cost of Financing														
	31	29	31	30	31	30	31	31	30	31	30	31		
Month Ending	31-Jan-24	29-Feb-24	31-Mar-24	30-Apr-24	31-May-24	30-Jun-24	31-Jul-24	31-Aug-24	30-Sep-24	31-Oct-24	30-Nov-24	31-Dec-24	Average	Total
Forecasted Loan Balances from Financing Model														
ON Loan Balance	815,759,796	822,559,796	829,759,796	839,159,796	848,759,796	854,759,796	862,359,796	894,759,796	982,159,796	986,959,796	986,959,796	986,959,796	892,576,463	
SB Loan Balance	412,480,204	415,880,204	419,580,204	424,080,204	428,780,204	431,580,204	435,280,204	451,480,204	495,680,204	498,180,204	498,180,204	498,180,204	450,780,204	
TOTAL	1,228,240,000	1,238,440,000	1,249,340,000	1,263,240,000	1,277,540,000	1,286,340,000	1,297,640,000	1,346,240,000	1,477,840,000	1,485,140,000	1,485,140,000	1,485,140,000	1,343,356,667	
Forecasted Cost of Debt from Financing Model														
ON Interest & Fees	3,437,137	3,242,189	3,496,124	3,421,675	3,576,179	3,485,284	3,633,482	3,769,997	4,004,757	4,158,474	4,027,026	4,158,474	3,700,900	44,410,797
SB Interest & Fees	2,590,573	2,455,620	2,626,400	2,571,717	2,672,822	2,608,341	2,705,621	2,787,366	2,921,354	3,029,263	2,939,812	3,029,263	2,744,846	32,938,151
TOTAL	6,027,710	5,697,808	6,122,524	5,993,392	6,249,002	6,093,625	6,339,103	6,557,363	6,926,111	7,187,736	6,966,838	7,187,736	6,445,746	77,348,948
Cost of Debt	5.79%	5.81%	5.79%	5.79%	5.78%	5.78%	5.77%	5.75%	5.72%	5.71%	5.72%	5.71%	5.76%	
													Average Cost ON Loan	4.98%
													Average Cost SB Loan	7.31%
2023 Cost of Financing														
	31	28	31	30	31	30	31	31	30	31	30	31		
Month Ending	31-Jan-23	28-Feb-23	31-Mar-23	30-Apr-23	31-May-23	30-Jun-23	31-Jul-23	31-Aug-23	30-Sep-23	31-Oct-23	30-Nov-23	31-Dec-23	Average	Total
Forecasted Loan Balances from Financing Model														
ON Loan Balance	814,221,542	836,221,542	863,421,542	887,821,542	883,386,258	868,815,204	857,517,200	864,117,200	868,917,200	920,717,200	924,717,200	924,717,200	876,215,903	
SB Loan Balance	411,808,458	422,908,458	436,508,458	448,708,458	446,483,742	439,044,796	433,302,400	436,602,400	439,002,400	465,302,400	467,322,000	467,322,000	442,859,664	
TOTAL	1,226,030,000	1,259,130,000	1,299,930,000	1,336,530,000	1,329,870,000	1,307,860,000	1,290,819,600	1,300,719,600	1,307,919,600	1,386,019,600	1,392,039,200	1,392,039,200	1,319,075,567	
Forecasted Cost of Debt from Financing Model														
ON Interest & Fees	538,392	499,429	570,925	568,121	584,126	555,959	567,020	571,385	556,024	608,811	591,731	611,455	568,615	6,823,378
SB Interest & Fees	1,062,172	997,313	1,095,055	1,083,643	1,108,335	1,071,193	1,090,787	1,095,180	1,071,138	1,133,388	1,107,624	1,136,077	1,087,659	13,051,904
TOTAL	1,600,564	1,496,742	1,665,979	1,651,765	1,692,461	1,627,152	1,657,807	1,666,564	1,627,163	1,742,199	1,699,355	1,747,532	1,656,274	19,875,283
Cost of Debt	1.54%	1.55%	1.51%	1.51%	1.50%	1.52%	1.52%	1.51%	1.52%	1.48%	1.49%	1.48%	1.51%	
													Average Cost ON Loan	0.78%
													Average Cost SB Loan	2.95%
Variance in Cost of Debt	4.25%	4.25%	4.27%	4.28%	4.27%	4.26%	4.25%	4.24%	4.20%	4.23%	4.23%	4.23%	4.25%	

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Reference: 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?

Response:

- a) The criteria and methodology used to determine which costs were eligible for inclusion in the 2021-2023 CCCDA are the same for all categories of costs (e.g. productivity and COVID-19 Health and Safety, Flight and Travel Restrictions, Construction Activities and Non-EPC Impacts). The key factors that guided the inclusion of these costs are:
 - WPLP must be contractually responsible for such costs (i.e. the conditions under the EPC Contract must be met);

- Valard has provided supporting information to justify the costs and show that the costs are as a result of COVID-19; and
- The supporting information has been reviewed and approved by WPLP with the assistance of the Owner Engineer Hatch. Supporting information includes evidence that conditions under the EPC contract, such as of reasonable efforts being undertaken by the EPC contractor to mitigate impacts, proof of burden and absence of concurrent causes for impacts to construction are satisfied. Further information on the review process is provided in part (b), below, and in response to Board Staff IR 11 (c).

Furthermore, pursuant to its Common Terms and Inter-Creditor Agreement (CTIA) with the Province of Ontario and the group of Senior Bank Lenders for the provision of project financing, WPLP may only enter into Change Orders over \$5 million with approval by the Independent Engineer and for change orders in excess of \$10 million WPLP must seek consent of the Collateral Agent, with both parties requiring supporting information that the Change Order costs are reasonable and prudently incurred.

Please refer to the response to Board Staff IRs 41 and 42 for additional information as it relates to productivity and COVID-19 Health and Safety, Flight and Travel Restrictions and Construction Activities.

As for Non-EPC Impacts, WPLP reviews the services provided by various legal advisors and consultants to ensure that only costs that are directly in support of reviewing, supporting or defending against COVID-19 claims is included.

- b) WPLP requires Valard to provide supporting information (spreadsheets and invoices) for any potential COVID-19 claim. COVID-19 claims may be brought forward under an existing Change Order that provides for relief relating to COVID-19 or under a new Contractor Change Request as per the EPC Contract. All supporting information is reviewed by WPLP and Hatch as Owner Engineer to ensure the costs are reasonable, relate to COVID-19 and are the responsibility of WPLP under the EPC Contract. To the extent there are any questions regarding the information provided by Valard, WPLP and Valard will exchange information until such time that the parties agree on the applicable COVID-19 related amounts. If the exchange of information does not address WPLP's concerns, the parties meet to discuss the issue in more detail (if the parties cannot reach agreement, the matter can be referred to dispute resolution). Only once it has been determined that WPLP has contractual responsibility, and the necessary information has been provided by Valard to support the claim, is the amount recorded in the deferral account. Information about any amounts recorded in the deferral account are provided to the Independent Engineer and reported to the Lenders on a monthly basis. The Independent Engineer and subsequent reporting to Lenders adds another level of assurance around the accuracy and completeness of the COVID cost data recorded in the deferral account.

Furthermore, WPLP maintains a robust accounting process to ensure its costs are identified, categorized, and accounted for in a manner that avoids duplication. WPLP uses SAP (System Applications and Products in Data Processing), DocuSign and Ipas (to track and categorize costs) software to manage these processes. In addition, these software packages are subject to internal audit and SAP processes are also tested as a part of WPLP's external audit. WPLP notes that \$68.37 million or 91.44% of the costs being proposed to be transferred to rate base have been subject to external audit, with the remaining \$6.4 million or 8.56% being readily identifiable and forecasted by WPLP.

- c) The major challenge was getting the supporting information (including spreadsheets and invoices) from the EPC Contractor to ensure the costs were reasonable, related to COVID-19 and that WPLP is contractually responsible for such costs further to the EPC Contract. WPLP held numerous meetings with Valard to ensure these requirements were met in respect of the amounts that have been recorded in the 2021-2023 CCCDA. This process takes time but ensures that only justifiable costs are recorded in the 2021-2023 CCCDA. For further context, see response to Board Staff IR 41 (f).
- d) WPLP has incurred three additional types of COVID-19 related costs in addition to those COVID-19 related costs owing to the EPC Contractor: consultant costs; legal costs; and direct COVID-19 costs related to testing and PPE. Consultant and legal fees related to COVID-19 have been tracked separately and recorded in the 2021-2023 CCCDA and disposition occurs as approved for in prior applications. Direct COVID-19 costs relating to testing and PPE incurred by WPLP have been accounted for and allocated based on the overhead allocation methodology in Exhibit B-1-5 Appendix A, with such methodology approved in previous rate applications. As a result, a minimal amount of such COVID-19 direct overhead costs have been expensed. WPLP confirms it is not seeking to capitalize any amounts that are expenditures in nature.

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Reference: 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.

Response:

- a) WPLP confirms that, except as noted in Exhibit H-2-2, page 4, lines 3-13, the statement is accurate. That notation explains that approximately [REDACTED] of the \$74.6 million of known COVID-19 costs recorded in the 2021-2023 CCCDA, which WPLP is proposing to transfer to CWIP and then to rate base as described in Exhibit H-2-2, pp. 5-7, relate to direct costs that WPLP acknowledges its responsibility for, notwithstanding that such amounts are a subset of the broader range of cost items that continue to be subject to the discussions WPLP is having with the EPC contractor. As part of WPLP’s risk management process, WPLP is in the process of incorporating these amounts into Change Orders.
- b) See response to part (a), above.

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Reference: 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.

Response:

- a) The timing of when WPLP receives federal funds is based on the Trust Agreement entered between Canada, Ontario and CIBC Trust Corporation dated July 3, 2019. Please refer to Board Staff IR 2(a and b) for additional information.
- b) Assuming the Federal CIAC Variance Account is approved, the revenue requirement impact (interest, Depreciation, ROE and income taxes) would be recorded in the variance account and the amount would be netted against the monthly fixed charges to Hydro One Remotes in a future rate application.
- c) Assuming the Federal CIAC Variance Account is approved, the revenue requirement impact (interest, Depreciation, ROE and income taxes) would be recorded in the variance account and the amount would be added to the monthly fixed charges to Hydro One Remotes in a future rate application.

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Reference: 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.

Response:

- a) WPLP notes that 2025 is not the test year and is outside the scope for the current application, but is providing the information here for purposes of validating its statement that is reproduced in the preamble. The following table provides WPLP’s current forecasts for the 2025 test year balances (Forecasted 2024 Ending Balance) for the ISDVA, CPICVA and DCDA with a one-year recovery period and a four-year recovery period. For the table below, WPLP has assumed the proposed recovery of each of the accounts would be for both the 2023 adjusted balance provided in Exhibit H-2-1 Table 1 and the forecasted balance additions over the 2023 year that would be included in the 2025 revenue requirement.

Forecasted Balances 1 Year Recovery (\$000s)	Forecasted 2023 Ending Balance*	Forecasted 2024 Repayment (Recovery)	Forecasted Carrying Charges 2024	Forecasted 2024 Ending Balance**
ISDVA	-17,398	16,339	-477	-1,536
CPICVA	24,159	-3,653	1,097	21,602
DCDA	172	-24	8	156
	6,932	12,661	628	20,222

*Adjusted for 2023 expected additions and carrying charges.

**Assumes no other additions to the account in 2024 outside of carrying charges.

Forecasted Balances 4 Year Recovery (\$000s)	Forecasted 2023 Ending Balance*	Forecasted 2024 Repayment (Recovery)	Forecasted Carrying Charges 2024	Forecasted 2024 Ending Balance**
ISDVA	-17,398	4,365	-735	-13,768
CPICVA	24,159	-977	1,155	23,337
DCDA	172	-6	8	174
	6,932	3,382	428	10,743

*Adjusted for 2023 expected additions and carrying charges.

**Assumes no other additions to the account in 2024 outside of carrying charges.

- b) There is no impact to these deferral accounts based on the receipt of Federal CIAC Funding.

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Reference: 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.

Response:

- a) The difference between the \$80.2 million in Exhibit H-2-1 Section F that WPLP is seeking to transfer and the \$68.2 million audited 2022 COVID costs plus \$6.4 million of forecasted COVID costs expected to be incurred in 2023 is the addition of applicable carrying charges.
- b) Please see the table below, which provides the costs that WPLP is proposing for disposition (excluding carrying charges) based on the categories of information provided in the 2023 revenue application. Further information on productivity and Health and Safety measures is provided in response to Board Staff IR 42 (b).

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Reference: 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(s):

- 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.

Response:

- a) The \$84 million referenced in EB-2021-0134 should not be characterized as “the original forecast” of COVID cost impacts. Rather, as described in Exhibit H-2-2 from EB-2021-0134, it was a value provided by Valard to WPLP as an initial assessment of COVID cost impacts associated with one of several identified scenarios for managing the impacts of the pandemic under the EPC contract, as of early June 2020 (less than three months after the pandemic was declared). As such, this amount was of a preliminary nature and did not attempt to assess any cost impacts outside of the EPC contract. Furthermore, as explained in Exhibit H-2-2, Section C.4 from EB-2021-0134, the \$84 million initial assessment amount had no further relevance. Nevertheless, the table below provides a variance analysis between the initial assessment value from Valard and the forecasted COVID costs inclusive of 2020 COVID costs recorded in CCDA and the 2021-2023 COVID cost forecast of \$74.57 million.

	EB-2021-0134	Forecast	Variance	Ref
Productivity and COVID-19				
Health and Safety Measures	17,736			A
Flight and Travel Restrictions	14,760			B
Construction Activities Impacts	51,669			C
Non-EPC Impacts	-			D
	84,165	91,969	7,804	

- (A) Productivity and COVID-19 Health and Safety Measures in Forecast reflects costs for March 2020 to June 30, 2022 vs Valard's initial assessment which had forecasted costs to December 31, 2020. Further information on the current forecasted costs is provided in Board Staff IR 42 (a).
- (B) WPLP negotiated a lower markup on flight costs from 15% in the initial assessment to 5% and updated assumptions on seating capacity on flights, thereby reducing the executed change order value. The forecasted cost is subject to finalization with Valard based on the completed third party report discussed further Board Staff IR 41 (b).
- (C) The initial assessment provided by the EPC Contractor was negotiated downward by WPLP, by removing costs that under the contract are the responsibility of the EPC contractor rather than WPLP, as well as miscellaneous corrections to contractor assumptions for [REDACTED]. Further reductions of [REDACTED] were a result of the negotiated removal of equipment standby costs.
- (D) Non-EPC costs are not part of the EPC contractor's initial assessment as these are reflective of WPLP costs incurred through legal and other consultants supporting the discussions and review of COVID costs incurred on the project.

BOARD STAFF – 41

Reference: 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.

Response:

- a) The loss productivity factor related to the implementation of the COVID-19 health and safety protocols for the period after March 2021 has not been agreed upon by WPLP and the EPC Contractor. As a result, WPLP is not able to provide the impact on the total balance for the years 2021, 2022 and 2023. Please refer to the response to Board Staff IR 44 (b) for additional information.
- b) The third-party report on the base rate of a flight has been completed and a copy is included in Appendix A to this response. The third party determined the base rate of a two-way flight included in the EPC Contractor's original contract price to be \$1,650 (before mark-up). The costs are currently being finalized with the EPC contractor. [REDACTED] This amount forms part of the \$74.57 million that WPLP is seeking to add to rate base.
- c) In support of the EPC contractor claim for incremental flight and travel costs, the EPC contractor provided a detailed listing of all flights, personnel, total flight costs and supporting invoices. WPLP with the assistance of Hatch reviewed the data and determined which costs are the responsibility of WPLP and the number of two-way flights utilized. WPLP then used the number of two-way flights along with the base rate determined by the third party to determine the "flight costs" included in the EPC Contractor's original contract price. WPLP compared the total flight costs provided by the EPC contractor to the "flight costs" determined by WPLP to determine the COVID-19 incremental impact. [REDACTED]

- d) The third-party report was utilised to support the amount recorded in the deferral account. Please refer to the response to Board Staff IR 41 (c) above for additional information.
- e) WPLP and the EPC contractor have not concluded that the impact of COVID-19 on the commercial air transportation industry and flight costs has subsided. The determination of that date is part of the flight and travel cost discussions between the EPC contractor and WPLP.
- f) The forecasted costs do not include an estimate of the potential cost relief that the EPC contractor is expecting for delays as a result of COVID-19 as at December 31, 2023. Given discussions with the EPC contractor are still ongoing and the EPC contractor has not submitted a Contractor Change Request or the necessary information to support any such Contractor Change Request under the EPC Contract, WPLP is not able to provide an estimate of the additional potential cost relief as at December 31, 2023 that could arise from those discussions, but it will likely be material.

It is important to recognize the scope and complexity of the discussions with the EPC contractor. Under the EPC Contract, the parties have agreed to a fixed price for completing the project within a specified schedule. Beyond the fixed price, WPLP is responsible for certain specifically identified Owner Risk Events and Force Majeure Events (as those terms are defined in the EPC Contract). The EPC contractor is therefore responsible for the cost and schedule impacts of all risks or causes other than those arising from Owner Risk Events or Force Majeure Events, and is subject to the risk of incurring liquidated damages for failing to meet certain schedule milestones to the extent they are responsible for delay.

Where there is a necessary change in the normal course, such as in scope or routing, either at the EPC contractor's request or WPLP's request, the parties can execute a Change Order. Where a change is requested by the EPC contractor, the onus is on the EPC contractor to provide justification and quantification of the incremental costs for acceptance by WPLP as part of the Change Order. Where the EPC contractor claims additional costs in relation to a Force Majeure Event, there is a similar obligation for the EPC contractor to provide justification and quantification for the incremental costs being claimed, and an expectation that any accepted cost impacts will ultimately be documented in an executed Change Order. In addition, before WPLP will accept such incremental costs or schedule impacts, the EPC contractor must demonstrate that the claimed costs are in fact the result of the Force Majeure Event and not of other concurrent causes, as well as that the EPC contractor has taken reasonable steps to mitigate the incremental costs or schedule impacts from arising as a result of the Force Majeure Event. In this regard, WPLP's interests when reviewing such claimed costs are aligned with the interests of ratepayers.

For the most part, the information necessary to support any incremental cost or schedule relief due to a contract change, whether in the normal course or as a result of a Force Majeure Event, is in the control of the contractor. Given the scale of the project, the onset of the pandemic so early in the construction period, the duration and evolving and unprecedented nature of the COVID-19 Force Majeure Event, the complexity and interrelationships with

non-COVID-19- related construction risks such as seasonal construction and access constraints, as well as the wide-ranging nature of the impacts claimed by the EPC contractor, the breadth and depth of information and analysis required to fully assess, document and review the claimed impacts is immense. As such, the discussions regarding these matters are continuing, and in the context of the foregoing it is not possible for WPLP to provide the requested estimate.

- g) Given discussions with the EPC contractor are still ongoing and the EPC contractor has not submitted a Contractor Change Request or the necessary information to support any such Contractor Change Request under the EPC Contract, WPLP is not able to provide an estimate of the compensation as a result of impacts to schedule or incremental costs in 2020, 2021, 2022 and 2023, but it will likely be material.
- h) Yes, WPLP has engaged other consultants to review the appropriateness of the costs under discussion with the EPC contractor.

Appendix 'A'

Third-Party Report on Flight Costs

VALARD CONSTRUCTION LP AND
WATAYNIKANEYAP POWER LP

WATAYNIKANEYAP TRANSMISSION EPC
CONTRACT - FLIGHT COST REVIEW

REPORT PREPARED BY:
DEAN DAS CPA, CA, CBV, CFF

REPORT DATE:
NOVEMBER 22, 2022

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**CHARTERED PROFESSIONAL ACCOUNTANTS
CHARTERED BUSINESS VALUATORS**

Private and Confidential

November 22, 2022

Mr. Jeremy Stevenson
Director – Supply Chain
Valard Construction LP
10774 42nd St SE
Calgary, AB, T2C 0L5

RE: Wataynikaneyap Transmission EPC Contract - Flight Cost Review

Dear Sir,

1. MDD Forensic Accountants LLP (“**MDD**”, “**us**”, “**we**”, or “**our**”) was retained by (1) Wataynikaneyap Power LP, by its general partner, Wataynikaneyap Power GP Inc. (the “**Owner**” or “**Watay**”); and (2) Valard Construction LP (the “**Contractor**” or “**Valard**”), to review the Contractor’s estimate of costs / development of its bid for the Engineering, Procurement and Construction Contract dated September 6, 2019 (the “**EPC Contract**”).
2. More specifically, MDD was retained to establish the base rate for a return flight¹ (the “**Base Rate**”), that was considered by the Contractor, as part of the Contractor’s EPC Contract bid (the “**Engagement**”).
3. In more detail, pursuant to the Change Order made as of February 26, 2021 between the Owner and the Contractor (the “**Change Order**”), this report:
 - a) establishes the Base Rate for a return flight;
 - b) describes: (1) the methodology; and (2) the information (other than the bid-pricing calculations themselves, which are to remain confidential) that was used to establish the Base Rate; and
 - c) validates the established Base Rate to the bid calculations included in the Contractor’s response to the Request for Proposal No. H353781-CT001 (the “**RFP**”).

¹ Base Rate corresponds to the cost of a return flight between a worker’s home to one of the main camps on the Project.



4. We understand that our report will be used in accordance with the Change Order.
5. Unless otherwise noted, all values expressed in this report and the attached schedules are expressed in terms of Canadian dollars.

A. EXECUTIVE SUMMARY

6. Based on our scope of review, the assumptions, restrictions, limitations, and qualifications noted herein, and in the attached schedules, the established Base Rate for a return flight (before and after mark-up) is summarized in **Schedule 1** and in Table 1 below:

Table 1:

Established Base Rate for Return Flight	
Description	Total
Base Rate (before mark-up)	\$ 1,650
Base Rate (after mark-up)	\$ 1,898

7. The analyses, calculations, and considerations contained herein must be considered as a whole; selecting portions thereof could lead to a misleading view of the conclusions reached herein.

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B. INTRODUCTION

Author's Details and Compliance with Professional Standards

8. I, Dean Das, CPA, CA, CBV, CFF, am a Partner and Senior Vice President at MDD Forensic Accountants LLP ("**MDD**"), a firm of forensic accountants.
9. In completing this report, I have been assisted by employees of MDD and this is reflected in my references to "**we**" when appropriate, although all the comments and opinions expressed are my own.
10. MDD is part of a global professional services firm practicing in the areas of business valuation, economic loss quantification, and forensic accounting. It has 11 offices in Canada and over 40 offices worldwide.
11. This report has been prepared in compliance with the Canadian Institute of Chartered Business Valuators ("**CICBV**") standards for the preparation of Expert reports.

Disclosure of Interests

12. I am not aware of any actual or potential conflict of interest that I may have in providing this report.

Declaration of Independence

13. We have been engaged as independent professional accountants, forensic accountants, and business valuers to provide an expert report. The terms of our engagement are to act in an independent and objective manner, providing our opinion based on our assessment of the facts and our analysis. Neither our firm, nor its principals, have any financial interests in these proceedings. Our fees are based solely on the time expended and are not contingent upon the ultimate results or conclusions reached.

C. SCOPE OF REVIEW

14. In preparing this report, we have reviewed and relied upon the following documentation:
 - a) Exhibit E-1: Change Order #020 between Watay and Valard made as of February 26, 2021;
 - b) Valard's project estimate worksheets (in Excel) for Group 1, 2, and 3; and

- c) Valard's final bid submission (in Excel) to Watay for the Lattice Steel Towers Option dated on or about March 2019² (package No. H353781-CT0001);³ and
 - d) The following websites for background information:
 - Valard: [Canada's Premier Utility Contractor | Valard Construction](#);
 - Quanta Services: [Home - Quanta Services](#);
 - Wasaya Airways: [Wasaya Airways LP :: Charter, Cargo & Scheduled Passenger Service :: Northwestern Ontario](#);
 - North Star Air: [North Star Air Ltd. - Passenger Charter Cargo Services](#); and
 - Bearskin Airlines: [Bearskin Airlines - Air Service and Charters across Ontario and Manitoba](#).
15. Discussions and correspondence with the following representatives of the Contractor (collectively referred to as the "**Contractor's Representatives**"). Our most recent discussions occurred on November 21, 2022.
- a) Mr. Mike Shewfelt, Director of Major Projects Support;
 - b) Mr. Darcy Magnussen, Project Estimator; and
 - c) Mr. Brett Smit, Vice President of Professional Services.
16. In keeping with our terms of reference, except where noted herein, we did not independently verify or corroborate the information listed above.

Limitations

17. The conclusions presented in this report are subject to the following limitations:
- a) We understand that the Bid-Pricing Calculations were prepared by an estimator who is no longer employed by the Contractor. Accordingly, we are not able to corroborate the: (1) Base Rate methodology; and (2) information relied on to develop the Base Rate, directly with the former estimator.

² According to Mr. Darcy Magnussen.

³ MDD Exhibits 1, 2, and 3.

- b) Our review has been limited to the Contractor's Bid-Pricing Calculations for Group 1, 2, and 3, as the calculations apply to the Base Rate *only*. Certain inputs for the Base Rate calculations are themselves the result of several additional spreadsheets, calculations, estimates, parameters, and / or variables that precede the Base Rate calculation inputs. We have not considered each of the preceding inputs since doing so: (1) would not be practical; and (2) is outside of the scope of our report.
 - c) Because of the discrete nature of our review, we were required to defer to the Contractor's Representatives to help us understand and / or interpret the provided spreadsheets and the calculations.
 - d) We have not been provided with a copy of the EPC Contract. We are not able to ascertain the extent to which the EPC Contract would have relevant to the completion of our report.
18. We note that had these limitations not been present, the conclusions expressed herein may have been materially different.

(The balance of this page has been left intentionally blank.)

D. BACKGROUND

About Valard

19. Valard incorporated in the province of Alberta in 1978 and is an EPC+⁴ utility contractor. Their services include:
- a) Overhead and underground distribution lines;
 - b) Overhead and underground transmission lines;
 - c) Engineering and design of substations;
 - d) Telecommunications (directional drilling to aerial construction);
 - e) Renewables (wind, solar, and small hydro); and
 - f) Other related utility services.⁵
20. In 2010, Valard joined Quanta Services, who is a specialty contractor in North America and Australia that provides fully integrated solutions for the electric power, underground utility, and communications industries.⁶

Overview

21. We understand that Watay and Valard entered into an Engineering, Procurement and Construction Contract dated as of September 6, 2019 ("**EPC Contract**").
22. On March 11, 2021, Valard submitted a force majeure notice to Watay claiming a Force Majeure Event as a result of the COVID-19 pandemic ("**Force Majeure Event**").
23. On February 26, 2021, the Owner and the Contractor entered into Change Order # 020 ("**Change Order**") setting out the obligations of the parties pursuant to the Force Majeure Event. Valard submitted a Contractor Change Request⁷ to Watay dated September 15, 2020 for various costs associated with the Force Majeure Event including, among other things, *flight* and *travel costs*.

⁴ Engineering, Procurement, and Construction.

⁵ Retrieved October 22, 2022 from [Canada's Premier Utility Contractor | Valard Construction](#)

⁶ Retrieved October 22, 2022 from [About Quanta - Quanta Services](#)

⁷ Referred to by the Owner and Contractor as FM1-E4-4. We do not have a copy of this document.

Change Order

24. The obligations of the Contractor and the Owner (collectively referred to as the “**Parties**”) pursuant to the Change Order in relation to the calculation of flight and travel costs is set out below.
25. We have highlighted the relevant sections of the Change Order in the red boxes below.

Establishment of Base Rate and Cut Off Date

*The Parties will, each acting in a commercially reasonable manner, select a mutually agreeable independent third party **to establish the base rate for a return flight** (the “**Base Rate**”) to be used in the calculation of flight costs pursuant to this Change Order. [Emphasis added]*

The Parties will, each acting in a commercially reasonable manner, set a date after which COVID-19 related impacts will no longer be considered to be a contributing factor to the cost of flights (the “Cut Off Date”). After the Cut Off Date, this Change Order will no longer apply to the calculation for flight and travel costs. For further clarity, each Party acknowledges that cessation of Federal and/or Provincial States of Emergency are not in and of themselves a commercially reasonable basis for determination of the Cut Off Date as the Force Majeure Event may cease to have Flight/Travel impacts before such date or may continue to have Flight/Travel impacts beyond such date.

*Contractor shall provide the selected independent third party with the necessary **bid-pricing calculations** that Contractor used when it responded to the Request for Proposal **RFP No. H353781-CT001** and **any other information** the independent third party may reasonably require to establish the Base Rate.*

*The independent third party shall provide the Parties with **a written report setting forth the established Base Rate and the methodology and information** (other than the bid-pricing calculations themselves, which shall remain confidential to Contractor and the independent third party) **that it used to establish the Base Rate**. The Base Rate established by the independent third party shall be binding on the Parties. [Emphasis added]*

E. MDD APPROACH

26. MDD has been engaged to perform the following procedures to establish the Base Rate for a return flight, as set out in the Change Order:
- a) validate that the Base Rate was included in the Contractor's bid-pricing calculations that responded to the RFP;
 - b) describe the methodology used to establish the Base Rate; and
 - c) describe the information used to establish the Base Rate.
- the information used to establish the Base Rate is described concurrently with item (b) and / or is set out in the Scope of Review section of our report.
27. Accordingly, we established the Base Rate for a return flight, pursuant to the Change Order between the Owner and the Contractor, based on the following steps:
- a) developed an understanding of the information available for our review and obtained the following:
 - Valard's project estimate worksheets (in Excel) for Group 1, 2, and 3, which were prepared in response to the RFP (herein referred to as the **"Bid-Pricing Calculations"**); and
 - Valard's final bid submission (in Excel) to Watay for the Lattice Steel Towers Option dated on or about March 2019⁸ in response to the RFP (herein referred to as the **"Final Bid Submission"**).⁹
28. Once we obtained the information available, we:
- a) inquired with the Contractor's Representatives to develop an understanding of how the Base Rate was developed in the Bid-Pricing Calculations, including:
 - the research conducted and relied upon; and
 - the assumptions made based on the Contractor's history and experience.

⁸ According to Mr. Darcy Magnussen the final negotiations took place on or about March 2019.

⁹ MDD Exhibits 1, 2, 3, and 4.

- b) reviewed Valard's Bid-Pricing Calculations and inquired with the Contractor's Representatives to develop an understanding of the spreadsheets relevant to establishing the Base Rate for a return flight.
- 29. Once we developed an understanding of the Bid-Pricing Calculations and the inputs included in the Base Rate, we:
 - a) validated that the Base Rate for a return flight was included in the Contractor's Bid-Pricing Calculations and also included in the Final Bid Submission in response to the RFP;
 - b) validated the Contractor's Bid-Pricing Calculations by reperforming the calculations used by the Contractor to develop the Base Rate; and
 - c) inquired with the Contractor's Representatives as to any differences between the Bid-Pricing Calculations and the Final Bid Submission.

F. MDD DETAILED FINDINGS – VALIDATED THE BASE RATE INCLUDED IN FINAL BID SUBMISSION

Overview

- 30. Based on our discussions with the Contractor's Representatives, three separate Bid-Pricing Calculations were prepared in response to the RFP. The calculations have been prepared according to the work site / location and are defined by the Contractor as Group 1, 2, and 3 (collectively referred to as the "**Groups**"). The formulas used to calculate the Base Rate are the same for the Groups.
- 31. For ease of reference, we have provided the Final Bid Submission in response to the RFP as Exhibits 1, 2, 3, and 4 as set out in Table 2 below.

Table 2:

MDD Exhibits	
Exhibit	Description
1	Overall Summary
2	Group 1 Summary
3	Group 2 Summary
4	Group 3 Summary

- 32. Supplementary spreadsheets were provided as part of the Contractor's Final Bid Submission. However, we have only included the summary spreadsheets as Exhibits to our report.

Validation of Contractor's Processes

33. Based on our discussions with the Contractor's Representatives, we understand that the Base Rate was incorporated into the Final Bid Submission (by group) through the following process:
- a) the Contractor calculated the flight costs / Base Rate for Group 1, 2, and 3 and included these costs as part of the total "indirect costs" in their Bid-Pricing Calculations;
 - b) the indirect costs were allocated to labour and equipment costs and summarized in the Contractor's pricing sheet (along with other project costs);
 - c) the Contractor's pricing sheet was converted and summarized into the Owner's preferred format within the Bid-Pricing Calculations ("**Owner's Group Summaries**");
 - d) the Owner's Group Summaries were extracted from the Bid-Pricing Calculations and formulas were converted into values (i.e., links were removed); and
 - e) the Contractor applied a 1.5 percent discount to the Final Bid Submission for each group, which was deducted from the lump sum (as opposed to the Bid-Pricing Calculations) for expediency purposes.
34. In order to validate the Contractor's processes detailed above, we performed the following steps:
- a) traced the Base Rate from the originating spreadsheet in the Bid-Pricing Calculations to the Owner's Group Summaries and the Final Bid Submission;
 - b) inquired with and obtained explanations from the Contractor's Representatives in circumstances when: (a) we were not able to trace the same amounts directly between spreadsheets; and (b) we identified duplicate spreadsheets with different totals;
 - c) inquired with and obtained explanations from the Contractor's Representatives regarding the calculations included in the relevant spreadsheets in the Bid-Pricing Calculations that had no impact on the Base Rate; and
 - d) reperformed the relevant calculations associated with the Base Rate that were included in the Contractor's Bid-Pricing Calculations.¹⁰

¹⁰ Refer to Section G for more details.

Summary

35. Based on the foregoing and our detailed findings described in the subsequent section, we have concluded that the Base Rate was incorporated in the Contractor's Bid-Pricing Calculations and the Final Bid Submission.

G. MDD DETAILED FINDINGS – THE ESTABLISHED BASE RATE

Base Rate – Contractor's Methodology

36. In calculating the Base Rate for a return flight used in the Bid-Pricing Calculations for Group 1, 2, and 3, we have outlined the Contractor's methodology in Table 3 below:

Table 3:

Base Rate - Formula					
Description	Ref	Total Quantity of Return Flights	Return Flight		Total
			Long-Haul Flight	Short-Haul Flight	
		A	B	C	D
Flight cost before mark-up	A		xx	xx	
Mark-up (%)	B		xx	xx	
Flight cost after mark-up	C=AxB		xx	xx	
Total quantity*	D	xx	xx	xx	
% of the total quantity of return flights			100%	50%	
Total cost	E=CxD		xx	xx	xx
Base Rate	F=E/D				xx

*Includes a quantity adjustment for workers who are local and will not require a flight.

37. Per Table 3 above, the Base Rate is equal to the total cost of the return flights (column "D") divided by the total quantity of return flights (column "A"). Accordingly, the Base Rate is sensitive to changes in *cost* and *quantity*.
38. We outline our approach to calculating each element of Table 3 in the following sections.

Description of Flights

Short-Haul Flight

39. A short-haul flight includes travel from a worker's home city¹¹ to Winnipeg or Thunder Bay (collectively referred to as the "**Hub**").
40. Consequently, if a worker resides in Winnipeg or Thunder Bay the short-haul flight is not required.

Long-Haul Flight

41. A long-haul flight includes travel from the Hub to Pickle Lake, Ontario, and surrounding communities (herein referred to as the "**Site**").¹²
42. Consequently, if a worker resides in Pickle Lake or the surrounding communities, the long-haul flight (and the short-haul flight) is not required. That is, the worker will be able to commute by car or be transported by Valard's shuttle van to Site – the local / no flight required travel scenario.

Flight Cost (Before and After Mark-up)

43. **Schedule 5** presents the *Calculation of the Cost of a Return Flight – Short-Haul & Long-Haul*.
44. The cost of a long-haul flight and a short-haul flight (before and after the Contractor's mark-up) included in the Contractor's Bid-Pricing Calculations is set out in Table 4 below:

Table 4:

Flight Cost			
Description	Ref	Return Flight	
		Long-Haul Flight	Short-Haul Flight
Flight cost before mark-up	A	\$ 1,300.00	\$ 700.00
Mark-up (15%)	B	1.15	1.15
Flight cost after mark-up	C=AxB	\$ 1,495.00	\$ 805.00

¹¹ other Canadian cities

¹² the Site is different for Group 1, 2, and 3

45. We observe:

- a) the cost of a long-haul and short-haul flight *before* the Contractor's mark-up is \$1,300 and \$700, respectively;
- b) the Contractor applied a 15% mark-up to the cost of a long-haul and short-haul flight;
- c) the cost of a long-haul and short-haul flight *after* the Contractor's mark-up is \$1,495 and \$805, respectively; and
- d) based on our review of the Bid-Pricing Calculations, the cost and mark-up of a long-haul and short-haul flight is the same for Group 1, 2, and 3.

Estimating the Cost of a Short-Haul Flight

46. In developing the cost of a short-haul flight, we understand from the Contractor's Representatives that it is common practice for Valard's estimator(s) to perform the following steps in the months or weeks leading up to the final bid submission:

- a) perform an online search of the cost of commercial flights¹³ from the main / capital cities in Canada to the Hub;
- b) calculate the average cost of a commercial flight from the main / capital cities in Canada to the Hub based on the results derived from the online search;
- c) determine, based on judgement and experience, the cost that the Contractor is most likely to incur on a consistent basis; and
- d) enter the amount determined / estimated for a return flight in the bid calculations.

Estimating the Cost of a Long-Haul Flight

47. We understand that similar steps are performed when estimating the cost of a long-haul flight from Hub to Site, except the Contractor primarily uses Wasaya Airways, which is a First Nations owned domestic airline with headquarters in Thunder Bay.¹⁴

¹³ For example, Air Canada and WestJet.

¹⁴ Retrieved October 22, 2022 from [Wasaya Airways LP :: Charter, Cargo & Scheduled Passenger Service :: Northwestern Ontario](#)

48. Secondary options used by the Contractor include: (a) North Star Air, which is a Canadian charter, passenger and cargo airline based in Thunder Bay;¹⁵ and (b) Bearskin Airlines, which is a Canadian regional airline based in Thunder Bay.¹⁶

Supplemental Documents

49. We understand from the Contractor's Representatives that there are no supplementary source documents available to assist with our review of the Contractor's determination of the cost of a return flight.
50. Further, we understand that this is not unusual since the research conducted by the estimator and the amount entered into the bid calculations usually occurs simultaneously. That is, there is no further contemplation or approval process involved in estimating the flight costs.

Reliance on Information

51. Since the Contractor's Bid-Pricing Calculations were prepared by an estimator, who is no longer employed, we are not able to corroborate that the steps outlined above by the Contractor's Representatives were considered as part of these Bid-Pricing Calculations.

Total Return Flights Required (Quantity)

52. **Schedule 4** presents the *Calculation of the Total Return Flights (Quantity) Required for the Groups*.
53. In calculating the total return flights used in the Bid-Pricing Calculations, we have outlined the Contractor's methodology in Table 5 below:

Table 5:

Total Return Flights Required		
Description	Ref	Total
Required manpower	A	xx
Total positions	B	xx
Local / no flight required (i.e., quantity adjustment)	C=0.9	xx
Project days	D	xx
Shift (number of work days)	E	xx
F=(A+B)x C		
Total return flights (i.e. long-haul flights) required	x D/E	xx

¹⁵ Retrieved October 22, 2022 from [North Star Air Ltd. - Passenger Charter Cargo Services](#)

¹⁶ Retrieved October 22, 2022 from [Bearskin Airlines - Air Service and Charters across Ontario and Manitoba](#)

54. We observe:

- a) the total quantity of return flights is equal to the number of long-haul flights required for Group 1, 2, and 3. This is also considered to be the number of work rotations required for each group; and
- b) among other things, the formula includes a quantity adjustment, which assumes 10 percent¹⁷ of the workforce will not require a return flight since they are local to Pickle Lake and the surrounding communities and can commute by car or be transported via Valard's shuttle van to Site; and

55. For clarity, the formula presented in Table 5 on the previous page excludes the short-haul flights. The short-haul flights do not impact the quantity of the total return flights required. Rather, 50 percent of the total return flights required will incur an extra cost for a short-haul flight. That is, 50 percent of the total return flights required will be more expensive because workers reside outside of the Hub (see Table 3 – Base Rate Formula).

56. In determining / estimating the total return flights required for Group 1, 2, and 3, the Contractor made certain assumptions based on the following:

- a) Valard's previous work experience and workforce history

Valard has a consistent workforce that resides across Canada but predominantly in Alberta and Newfoundland, which is located outside the Hub.

- b) Hiring locally

Valard considers the local workforce and how the First Nations and indigenous peoples near Site can be integrated into the workforce to support the projects developed in their communities.

Established Base Rate of a Return Flight

57. **Schedule 2** presents our *Calculation of the Established Base Rate for a Return Flight - Before Mark-Up*, and **Schedule 3** presents our *Calculation of the Established Base Rate for a Return Flight - After Mark-Up*.

58. Taken together, and using a simplified version of the Base Rate formula set out in Table 3, we calculate the Base Rate before and after the mark-up in Table 6 on the following page.

¹⁷ The Contractor has applied a factor of 0.9 to account for their assumption that 10% of the workforce that will not require a flight.

Table 6:¹⁸

Base Rate - Formula					
Description	Ref	Total Quantity of Return Flights	Return Flight		Total
			Long-Haul Flight	Short-Haul Flight	
Flight cost	A		\$ 1,300	\$ 700	
Total quantity	B				
% of total quantity of return flights			100%	50%	
Total cost	C=AxB				
Base Rate (before mark-up)	D=C/B				\$ 1,650
Mark-up (%)	E				1.15
Base Rate (after mark-up)	F=DxE				\$ 1,898

Summary

59. Based on our scope of review, the assumptions, restrictions, limitations, and qualifications noted herein, and in the attached schedules, the established Base Rate for a return flight (before and after mark-up) is summarized in **Schedule 1** and in Table 1 below:

Table 1:

Established Base Rate for Return Flight	
Description	Total
Base Rate (before mark-up)	\$ 1,650
Base Rate (after mark-up)	\$ 1,898

¹⁸ Based on our discussions with the Contractor's Representatives, we have redacted the total quantity and the total cost included in the table to preserve the confidentiality of the Contactor's Bid-Pricing Calculations.

H. ASSUMPTIONS, RESTRICTIONS AND QUALIFICATIONS

Assumptions

60. In preparing our report, we have made the following assumptions in addition to those noted elsewhere herein and on the attached schedules:
- a) The methodology described to us by the Contractor's Representatives is materially the same as the methodology applied by the former estimator in developing the Bid-Pricing Calculations and the Base Rate for a return flight in response to the RFP.
 - b) Apart from the Bid-Pricing Calculations and the Final Bid Submissions, there are no other documents and information available for our review and relevant to establishing the Base Rate, unless otherwise noted.
 - c) The Bid-Pricing Calculations are materially the same for the Groups.
 - d) Any differences observed in the calculations included in the Bid-Pricing Calculations that are carried forward from one spreadsheet to the next are not related to the calculation of the Base Rate included in the Final Bid Submission.
 - e) All information and calculations contained / replicated in our report and schedules is relevant for the purposes of establishing the Base Rate for a return flight.
 - f) The 1.5 percent discount applied to the Final Bid Submission does not materially impact the Base Rate for a return flight.
61. It should be noted that if the assumptions on which this report was based are found to be incorrect, the findings presented herein could materially change.

Restrictions

62. This report is not intended for general circulation or publication nor is it to be reproduced or used for any purpose other than that outlined above without our prior written permission in each specific instance. We will not assume any responsibility or liability for losses occasioned to the Contract, Owner, or any third party, as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.
63. Our analyses are based upon information provided by and/or on behalf of the Contract and Owner. We assume no responsibility and make no representations with respect to the accuracy or completeness of any provided information.

64. We reserve the right, but are under no obligation, to review all information presented, and/or calculations included in or referred to in this report and, if we consider it necessary, in the light of any information which becomes known to us after the date of this report.

Qualifications

65. In preparing this report, we have relied upon the documents and information listed herein.
66. We are not guarantors of the information upon which we have relied in preparing our report, and except as stated, we have not audited or otherwise attempted to verify any of the underlying information or data contained in this report.
67. We will be pleased to discuss the foregoing with you at your convenience.

Yours truly,

MDD Forensic Accountants LLP

MDD Forensic Accountants LLP

**Dean Das, CPA, CA, CBV, CFF
Partner / Senior Vice President**

Index of Schedules and Appendices

Valard Construction LP and Wataynikaneyap Power LP

SCHEDULE

- 1 Summary of the Established Base Rate of a Return Flight - All Groups
- 2 Calculation of the Established Base Rate of a Return Flight for the Groups - Before Mark-up
- 3 Calculation of the Established Base Rate of a Return Flight for the Groups - After Mark-up
- 4 Calculation of the Total Number of Return Flights (Quantity) Required for the Groups
- 5 Calculation of the Cost of a Return Flight - Long-Haul & Short-Haul

Flight Cost Review

Valard Construction LP and Wataynikaneyap Power LP
Summary of the Established Base Rate of a Return Flight
- All Groups

Description	Sch	Total
Base Rate (before mark-up)	2	<u>\$ 1,650</u>
Base Rate (after mark-up)	3	<u>\$ 1,898</u>

Flight Cost Review
Valard Construction LP and Wataynikaneyap Power LP
Calculation of the Established Base Rate of a Return Flight for the Groups - Before Mark-up

Description	Sch	Group 1				Group 2				Group 3				All Groups	Base Rate (Before Mark-up)	Comment
		Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total	Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total	Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total			
Flight cost before mark-up	4		\$ 1,300	\$ 700			\$ 1,300	\$ 700			\$ 1,300	\$ 700				
Total quantity	5															Note 2
% of the total quantity of return flights			100.0%	50.0%			100.0%	50.0%			100.0%	50.0%				Note 2
Total cost																Note 3
Base Rate (total cost / total quantity)			\$ 1,650				\$ 1,650				\$ 1,650			To Sch 1		

Note 1: 50 percent (%) of the total quantity of return flights required (i.e., long-haul flights) will incur an extra cost for a short-haul flight.

Note 2: Based on our discussions with the Contractor's Representatives, we have redacted these figures to preserve the confidentiality of the Contractor's Bid-Pricing Calculations.

Note 3: The established Base Rate (before mark-up) for a return flight is \$1,650 and is consistent with the Bid-Pricing Calculations for Group 1, 2, and 3.

Flight Cost Review
Valard Construction LP and Wataynikaneyap Power LP
Calculation of the Established Base Rate of a Return Flight for the Groups - After Mark-up

Description	Sch	Group 1				Group 2				Group 3				All Groups	
		Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total	Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total	Total Quantity of Return Flights (Sch 5)	Long-Haul Flight	Short-Haul Flight (Note 1)	Total	Base Rate (After Mark-up)	Comment
Flight cost after mark-up	4		\$ 1,495	\$ 805			\$ 1,495	\$ 805			\$ 1,495	\$ 805			
Total quantity	5														Note 2
% of the total quantity of return flights			100.0%	50.0%			100.0%	50.0%			100.0%	50.0%			Note 2
Total cost															Note 3
Base Rate (total cost / total quantity)			\$ 1,898		\$ 1,898		\$ 1,898		\$ 1,898		\$ 1,898		\$ 1,898	To Sch 1	

Note 1: 50 percent (%) of the total quantity of return flights required (i.e., long-haul flights) will incur an extra cost for a short-haul flight.

Note 2: Based on our discussions with the Contractor's Representatives, we have redacted these figures to preserve the confidentiality of the Contractor's Bid-Pricing Calculations.

Note 3: The established Base Rate (after mark-up) for a return flight is \$1,898 and is consistent with the Bid-Pricing Calculations for Group 1, 2, and 3.

Flight Cost Review
Valard Construction LP and Wataynikanayap Power LP
Calculation of the Total Number of Return Flights (Quantity) Required for the Groups

Description	Formula (Note 1)	Total Return Flights Required			Comment
		Group 1	Group 2	Group 3	
Required manpower	A				Note 1 / 2
Total positions	B				Note 1 / 2
Local / no flight required (i.e., quantity adjustment)	C=0.9	0.9	0.9	0.9	Note 3
Project days	D				Note 1 / 4
Shift (number of work days)	E				Note 1
Total return flights required (i.e., long-haul flights)	F=(A+B)xCxD/E	To Sch 2 / 3 To Sch 2 / 3 To Sch 2 / 3			Note 1 / 5

Note 1: Based on our discussions with the Contractor's Representatives, we have redacted these figures to preserve the confidentiality of the Contractor's Bid-Pricing Calculations.

Note 2: The formula is based on our review of the appropriate spreadsheets included in the Bid-Pricing Calculations.

Note 3: The Contractor has applied a factor of 0.9 to account for their assumption that 10% of the workforce will not require a flight.

Note 4: These inputs are based on other formulas and calculations throughout the Bid-Pricing Calculations. We have not reviewed these calculations or their supporting spreadsheets in detail.

Note 5: The number of return flights required (i.e., long-haul flights) is also equal to the number of work rotations required for each group.

Source: Bid-Pricing Calculations.

Flight Cost Review

Valard Construction LP and Wataynikaneyap Power LP

Calculation of the Cost of a Return Flight - Long-Haul & Short-Haul

Description	One Way Cost A	Return Cost Before Markup B=Ax2	Markup C=1.15 (Note 1)	Return Cost After Markup D=BxC	Comment
Long-haul flight	\$ 650.00	\$ 1,300.00	1.15	\$ 1,495.00	Note 2
Short-haul flight (extra cost)	\$ 350.00	\$ 700.00	1.15	\$ 805.00	Note 3
		To Sch 2		To Sch 3	

Note 1: According to the formula used in the Bid-Pricing Calculations, the Contractor has applied a 15% mark-up on the cost of the flight.

Note 2: Cost of a long-haul flight from the Hub to Pickle Lake, Ontario and the surrounding communities ("Site") using a domestic air carrier like Wasaya Airways.

Note 3: Cost of a short-haul flight from home to Winnipeg or Thunder Bay ("Hub") using a commercial air carrier. 50 percent (%) of the total quantity of return flights (i.e., long-haul flights) required will incur an the extra cost for a short-haul flight.

Source: Bid-Pricing Calculations.



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MDD EXHIBIT 1

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MDD EXHIBIT 2



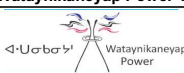
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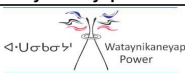
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MDD EXHIBIT 3

Wataynikaneyap Power Transmission Project		H353781		Schedule A.1		
<div><div><div><div>HATCH</div></div></div><div>Table A.1.2.2T Group 2 - Lattice Steel Towers Option</div></div>		Valard Construction LP				
No.	Description	Total Price (\$)				Remarks
		Eng., Mgmt., Others	Material/ Equipment	Construction	Total	

Wataynikaneyap Power Transmission Project			H353781		Schedule A.1	
<div><div><div><div>HATCH</div></div></div><div>Table A.1.2.2T Group 2 - Lattice Steel Towers Option</div></div>			Valard Construction LP			
No.	Description	Total Price (\$)				Remarks
		Eng., Mgmt., Others	Material/ Equipment	Construction	Total	





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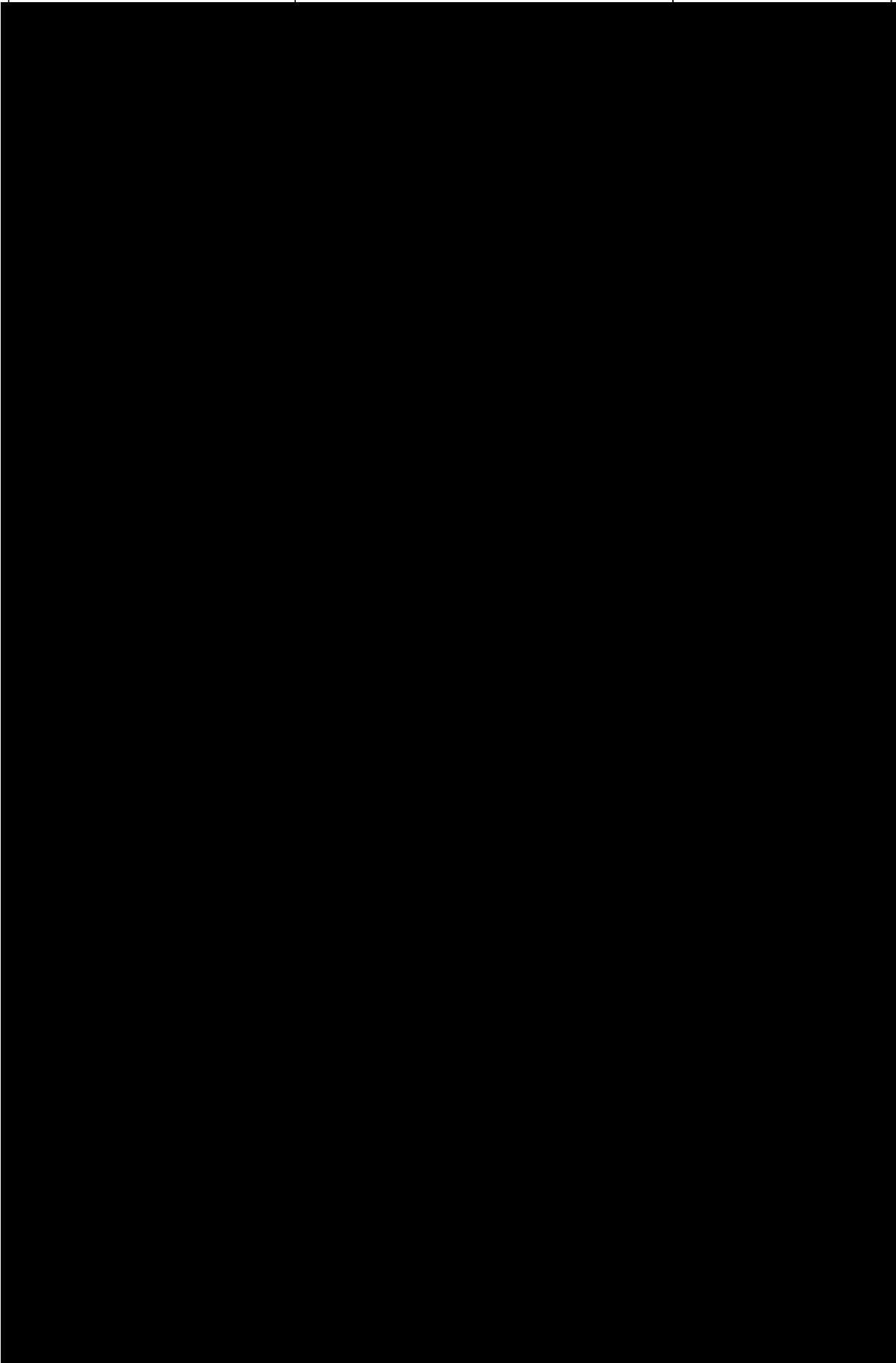
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MDD EXHIBIT 4

Wataynikaneyap Power Transmission Project		H353781	Schedule A.1
 			Valard Construction LP
	Table A.1.2.3T Group 3 - Lattice Steel Towers Option		



BOARD STAFF – 42

Reference: 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.

Response:

- a) The COVID-19 health and safety productivity loss factor was calculated based on the impact the COVID-19 health and safety protocols would have on individual productivity. WPLP and the EPC contractor discussed each COVID-19 health and safety protocol and its relative impact. The EPC contractor and WPLP negotiated a 10% loss in overall productivity of construction works between March 11, 2020 and August 2020, followed by reduction to 6% lost productivity from August 2020 to March 2021 to reflect the efficiency that had been

learned and implemented during the March to August 2020 timeframe; WPLP and the EPC contractor negotiated that after March 2021, the COVID-19 health and safety related impact on productivity would be subject to review. The 10% productivity loss represents a 66-minute impact on an 11-hour shift, and the 6% productivity loss represents a 40-minute impact. The COVID-19 health and safety protocols impacted daily job planning, temperature checks, cleaning, security checks and other inefficiencies introduced by the COVID-19 daily mitigation measures and the need to use alternative work methods. The parties quantified the number of minutes of unproductive work that the EPC contractor's labour force was expected to experience in connection with these tasks, and converted the number of minutes into a percentage loss factor.

- b) WPLP has separated the COVID-19 costs relating to the loss productivity factor and health and safety measures:

	2020 - CCDA	2021-2023 CCDA	Total
Productivity Loss			
COVID-19 Health and Safety Measures			
Total	\$5,457,692	\$34,307,498**	\$39,765,190

* The COVID-19 Health and Safety Measures costs recorded in the 2021-2023 CCDA includes direct costs related to the implementation of the COVID-19 health and safety protocols as well as costs related to COVID-19 testing, quarantine and vaccinations (that occurred on the project site).

** In completing the response to the interrogatory, WPLP identified an error in Table 6 in Exhibit B-1-5; the error was a misclass of costs between Productivity and COVID-19 Health and Safety and Construction Activities Impact. The correction does not change the calculations within the rate application and WPLP has provided an updated Table 6 as part of this response, below.

- c) WPLP confirms it has held additional discussions with the EPC contractor in relation to the COVID-19 health and safety productivity loss factor; however those efforts have not resulted in any update to the COVID-19 health and safety loss productivity factor.
- i) Not applicable as there has been no update to the loss productivity factor.
 - ii) The EPC contractor has provided additional information on the impact the COVID-19 health and safety protocols have had on productivity loss. The EPC contractor's

additional information indicates that the EPC contractor believes the COVID-19 health and safety productivity loss factor would be in the range of 9% - 15%. WPLP has requested that the EPC contractor provide additional information in support of their calculation; to date the EPC contractor has provided high level information but not the detailed information that is required by WPLP to finalize the COVID-19 health and safety productivity loss factor. [REDACTED]

[REDACTED] All amounts recorded in the variance accounts related to the COVID-19 health and safety productivity loss factor have been tested by the external auditor and included in the WPLP financial statements.

[REDACTED]

Amended Exhibit B-1-5 - Table 6 – COVID-19 Cost Forecast (\$000's)

Cost Category	Cost (\$000's)
	74,570

BOARD STAFF – 43

Reference: 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.

Response:

a)

[REDACTED]

In addition to incremental construction costs, WPLP anticipates incurring additional non-EPC costs related to legal and consultant support in relation to the outstanding EPC contractor claim that is under discussion. Please refer to responses Board Staff IR 10 (a) and (b) for additional information.

[REDACTED]

[REDACTED]

- b) The timing and amount of the capital contribution is determined under the Trust Agreement entered between Canada, Ontario and CIBC Trust Corporation dated July 3, 2019. Under the Trust Agreement the 2024 COVID costs would not be added to rate base before the federal funding is received. Please refer to the responses to Board Staff IR 2 and Board Staff IR 33, which explain that, if substantiated COVID-19 related costs are incurred, which are not used in the calculation of the capital contribution under the Trust Agreement, WPLP's intention is that such costs will be added to rate base in a future rate application while maintaining the OEB's deemed capital structure of 40% equity.
- c) WPLP expects to record incurred COVID costs in the 2021-2023 CCCDA (as amended) and the proposed EPC COVID-Related Costs Deferral Account until the end of construction, which is planned to occur by the end of the 2024 calendar year. Given the discussions with the EPC contractor are continuing, there is a possibility the costs may not be known until a future year beyond the end of the 2024 calendar year, in which case WPLP would record costs in these accounts once the costs become known. Please refer to the response to Board Staff IR 2(d) for additional information.
- d) WPLP has recorded costs in the COVID deferral account after May 2023, which include \$253K related to legal support and \$8K for consultant support in relation to the outstanding EPC contractor claim that is under discussion. These costs are directly related to the ongoing discussions of COVID-19 cost impacts on the project.
- e) WPLP has recorded 4 types of COVID-19 construction related costs: (1) COVID-19 health and safety productivity loss, (2) COVID-19 health and safety costs, (3) flight and travel restrictions, and (4) construction activities. All four costs have direct links to COVID-19, the impacts of which are highlighted below.

- Productivity loss related to COVID-19 – please refer to response to Board Staff IR 42 (a) and (c).
- COVID-19 health and safety costs – These are direct costs related to the implementation of health and safety measures. The EPC contractor provided a detailed listing of services, supplies, hotels, transportation personnel, and supporting invoices. WPLP with the assistance of Hatch reviewed the data and determined the costs are appropriate and where possible mitigation has taken place to reduce costs.
- Flight and travel restrictions - please refer to response to Board Staff IR 41 (b), (c) and (d).
- Construction activities – All COVID-19 costs related to construction activities relate to Change Order 18 which was executed at the onset of COVID-19 and was reviewed and signed off by the Independent Engineer. The capital construction costs are set out in detail in the executed EPC contract, and the incremental cost overruns after the onset of COVID-19 are evaluated to determine if such costs are a result of COVID-19. For additional information on Construction Activities please see H-2-2 in EB-2021-0134.

WPLP acknowledges there has been a declining trend in COVID cases generally over the past year since the previous application. The decrease in cases combined with the cascading impacts of historical COVID-19 impacts is complicating the discussions with the EPC contractor as WPLP is working to ensure all COVID-19 costs are differentiated from the general capital costs incurred for construction of the project. See responses to Board Staff IRs 35 and 41 (f) for further information.

- f) WPLP will continue to record the capital-related COVID-19 costs, incurred under the EPC Contract (including legal and consulting costs to settle the claim thereunder) in the 2021-2023 CCCDA (as amended) and the proposed EPC COVID-Related Costs Deferral Account, as applicable, and will request in a future application that the costs be transferred to the proposed CWIP sub-account and then added to rate base. All other operating and capital costs (outside the EPC Contract) that are driven by COVID-19 will be included in WPLP's operating and capital budgets and will not be recorded in either of the two deferral accounts.

BOARD STAFF – 44

Reference: 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.

Response:

- a) Please see responses to Board Staff IRs 10 (a) and 43 (a).
- b) WPLP and Valard continue to discuss the productivity loss factor associated with the implementation of the COVID-19 health and safety protocols. For further information regarding the productivity loss factor, please see WPLP's responses to Board Staff IR 42 (a) and (c).
- c) Health and safety is a priority for the participating First Nations. The participating First Nations implemented COVID-19 protocols to set out their expectations for keeping their

communities safe while maintaining the guiding principles based on the circumstances within each of the respective First Nations at any given time; as a result, the status of First Nation COVID-19 protocols is subject to change. The First Nation protocols require agreement by the leadership to enter the community. The protocols relate primarily to testing, masking, entrance into the respective communities, travel through First Nation communities and access to First Nation communities. It is Valard's responsibility to adhere to the respective First Nation COVID-19 protocols; Valard has not yet provided any information that indicates there have been incremental costs related to the First Nation protocols since March 2023. It is WPLP's understanding that Lac Des Mille Lacs First Nation is the only participating First Nation that continues to have COVID protocols in place.

For clarity, it is important to note that there were three types of COVID-19 protocols in place. The first were the community-specific protocols developed and implemented by each of the participating First Nations which, as noted above, related to such matters as testing, masking, entrance into and access to each of the respective the communities, which Valard was responsible for adhering to. The second was the protocol developed by Valard as part of its Health and Safety requirements, which was incorporated into the fixed price EPC Contract and which applied to and governed COVID-related activities within the Project site, and which Valard was therefore responsible for implementing. The third was WPLP's own COVID protocol which governed its workplace and staff, except to the extent staff needed to enter into the Project site or a participating First Nation and thereby became subject to one of the other protocols.

BOARD STAFF – 45

Reference: 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.

Response:

a) In EB-2022-0149, in response to Board Staff IR 34 (d), WPLP stated:

WPLP confirms 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 ratepayer.

WPLP's answer to the question was based on information available at the time. Since providing the answer in EB-2022-0149, COVID-19 related costs have increased based on potential additional claims by the EPC Contractor related to such costs. The increase in COVID-19 related costs and the potential for additional claims removes any financial benefit the ratepayer might have otherwise achieved as a result of recording the COVID-19 costs as an expense. In addition, the recording of COVID-19 costs as capital would result in the costs being recovered over the life of the underlying assets, the rate impacts of which can be partially offset by the proceeds of the Trust as a result of the capital contribution. In the absence of a net benefit to rate payers, a 4-year disposition period would be contrary to the principle of intergenerational equity. Please refer to the response to Board Staff IR 7(b) for additional information.

b) Recognizing there are potential additional claims by the EPC contractor that are yet to be resolved, for illustrative purposes, WPLP has answered this question in the context of the \$74.6 million of COVID-19 related costs that WPLP is proposing to add to rate base vs not being added to rate base and collected through disposition of the deferral account as an expense.

As noted in response to Board Staff IR 45 (c), below, capitalization of the \$74.6 million ensures the costs are included in the calculations of the capital contributions under the Trust Agreement entered into between Canada, Ontario and CIBC Trust Corporation dated July 3, 2019.

The tables below represent a simplified calculation of: (1) Nominal OEB Approved Costs, (2) Equity and Rate Base and (3) the remaining trust funds that would be available to offset RRRP pool in future years.

Calculation of Nominal OEB Approved Costs

	COVID Cost Capitalized	No COVID Costs
Nominal OEB Approved Capital Costs		
Capital Costs pre COVID-19	1,680.79	1,680.79
COVID-19 Costs	74.57	-
Pikangikum Construction Costs	62.82	62.82
Contingency	81.88	81.88
Nominal OEB Approved Capital Costs (Post Contingency)	1,900.06	1,825.49

Calculation of Equity and Rate Base per Sliding Scale

	COVID Cost Capitalized	No COVID Costs
Equity Pre Contingency	400.00	444.51
Resulting Rate Base	1,000.00	1,111.28

Remaining Trust Funds after WPLP CIAC

	COVID Cost Capitalized	No COVID Costs
Nominal OEB Approved Capital Costs	1,900.06	1,825.49
Interest accounts	68.78	68.78
Interim depreciation	- 50.46	- 50.46
Forecasted Rate Base (Including Pikangikum Costs) (Jan 1, 2025)	1,918.38	1,843.81
Implied Rate base	- 1,000.00	- 1,111.28
Initial Capital contribution (Including Pikangikum)	918.38	732.54
Federal Contribution (Including Pikangikum)	1,555.00	1,555.00
Funds Remaining in the Trust	636.62	822.46

Under the COVID-19 Cost Capitalized scenario, above, WPLP has less rate base, but the Trust also has less funds and less corresponding interest to offset the future RRRP rates. In addition, under the No COVID Costs scenario, above, the \$74.6 million of COVID costs would still need to be included in rates as an expense, along with the corresponding carrying charges.

WPLP has calculated the net present value of the impact on ratepayers under both scenarios; the calculation is in the spreadsheet attached in Appendix 'A', below, and shows the impact under either scenario is within \$1M of each other, with the COVID capitalized cost being marginally better for the ratepayer.

- c) The Federal Funding Framework was designed on the basis that the project costs would be capitalized. The Federal Funding Framework did not contemplate the occurrence of an event such as the COVID-19 pandemic and the related cost impacts arising under the EPC Contract through a force majeure event. WPLP initially proposed that its COVID costs be treated in a non-traditional manner as an expense because, at the time, that approach was shown to provide greater benefits to ratepayers than capitalization. However, recognizing that the ratepayer benefits of treating the COVID costs as an expense would no longer be applicable (based on the overall cost of the project relative to the sliding scale for determining the capital contribution under the Trust Agreement), WPLP has instead proposed to apply the traditional treatment of capitalizing its COVID costs. Capitalization of the COVID costs is wholly consistent with the basis upon which the Federal Funding Framework was developed. Furthermore, as indicated in response to part (a), above, in the absence of a net benefit to rate payers, a 4-year disposition period would be contrary to the principle of intergenerational equity.
- d) Please refer to the response to part (b), above; given the discussions with the EPC contractor are still ongoing and the EPC contractor has not submitted a Contractor Change Request or the necessary information to support any such Contractor Change Request under the EPC Contract, WPLP is not able to provide a calculation that includes all COVID-19 costs.

Appendix 'A'

Spreadsheet for Response Part (b)

Rate Payer Impact

	COVID Cost Capitalized	COVID Cost Expensed	Variance
<i>(In \$ millions)</i>			
Remaining Trust Balance (NPV)	\$636.62	\$822.46	-\$185.84
Rate Base Impact (NPV)	-\$1,033.44	-\$1,148.44	\$115.00
Defferal Account Impact (NPV)	\$ -	-\$71.54	\$71.54
Overall Rate Payer Impact	-\$396.82	-\$397.51	\$0.69

Interest Rate/Carrying Charge	4%
Discount Rate	4%

COVID Cost Capitalized	-\$396.82
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[illegible]

Rate Base	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Balance	\$ 1,000.00	\$ 975.00	\$ 950.00	\$ 925.00	\$ 900.00	\$ 875.00	\$ 850.00	\$ 825.00	\$ 800.00	\$ 775.00	\$ 750.00	\$ 725.00	\$ 700.00	\$ 675.00	\$ 650.00	\$ 625.00	\$ 600.00	\$ 575.00	\$ 550.00	\$ 525.00
Amortization	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Ending Balance	\$ 975.00	\$ 950.00	\$ 925.00	\$ 900.00	\$ 875.00	\$ 850.00	\$ 825.00	\$ 800.00	\$ 775.00	\$ 750.00	\$ 725.00	\$ 700.00	\$ 675.00	\$ 650.00	\$ 625.00	\$ 600.00	\$ 575.00	\$ 550.00	\$ 525.00	\$ 500.00
Return	\$ 42.96	\$ 41.87	\$ 40.78	\$ 39.69	\$ 38.61	\$ 37.52	\$ 36.43	\$ 35.34	\$ 34.26	\$ 33.17	\$ 32.08	\$ 30.99	\$ 29.91	\$ 28.82	\$ 27.73	\$ 26.64	\$ 25.56	\$ 24.47	\$ 23.38	\$ 22.29
Total Rate Impact	\$ 67.96	\$ 66.87	\$ 65.78	\$ 64.69	\$ 63.61	\$ 62.52	\$ 61.43	\$ 60.34	\$ 59.26	\$ 58.17	\$ 57.08	\$ 55.99	\$ 54.91	\$ 53.82	\$ 52.73	\$ 51.64	\$ 50.56	\$ 49.47	\$ 48.38	\$ 47.29

[illegible]

No COVID Costs		-\$397.51																		
Trust	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Deposit	\$ 822.46	\$ 805.36	\$ 787.58	\$ 769.08	\$ 749.84	\$ 729.84	\$ 709.03	\$ 687.39	\$ 664.89	\$ 641.48	\$ 617.14	\$ 591.83	\$ 565.50	\$ 538.12	\$ 509.65	\$ 480.03	\$ 449.23	\$ 417.20	\$ 383.89	\$ 349.25
Interest	\$ 32.90	\$ 32.21	\$ 31.50	\$ 30.76	\$ 29.99	\$ 29.19	\$ 28.36	\$ 27.50	\$ 26.60	\$ 25.66	\$ 24.69	\$ 23.67	\$ 22.62	\$ 21.52	\$ 20.39	\$ 19.20	\$ 17.97	\$ 16.69	\$ 15.36	\$ 13.97
Uses	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Ending	\$ 805.36	\$ 787.58	\$ 769.08	\$ 749.84	\$ 729.84	\$ 709.03	\$ 687.39	\$ 664.89	\$ 641.48	\$ 617.14	\$ 591.83	\$ 565.50	\$ 538.12	\$ 509.65	\$ 480.03	\$ 449.23	\$ 417.20	\$ 383.89	\$ 349.25	\$ 313.22

Trust (Continued)	21	22	23	24	25	26	27	28
Deposit	\$ 313.22	\$ 275.74	\$ 236.77	\$ 196.25	\$ 154.10	\$ 110.26	\$ 64.67	\$ 17.26
Interest	\$ 12.53	\$ 11.03	\$ 9.47	\$ 7.85	\$ 6.16	\$ 4.41	\$ 2.59	\$ 0.69
Uses	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 17.93
Ending	\$ 275.74	\$ 236.77	\$ 196.25	\$ 154.10	\$ 110.26	\$ 64.67	\$ 17.26	\$ 0.02
NPV	\$822.46							

Rate Base	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Balance	\$ 1,111.28	\$ 1,083.49	\$ 1,055.71	\$ 1,027.93	\$ 1,000.15	\$ 972.37	\$ 944.58	\$ 916.80	\$ 889.02	\$ 861.24	\$ 833.46	\$ 805.67	\$ 777.89	\$ 750.11	\$ 722.33	\$ 694.55	\$ 666.77	\$ 638.98	\$ 611.20	\$ 583.42
Amortization	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78
Ending Balance	\$ 1,083.49	\$ 1,055.71	\$ 1,027.93	\$ 1,000.15	\$ 972.37	\$ 944.58	\$ 916.80	\$ 889.02	\$ 861.24	\$ 833.46	\$ 805.67	\$ 777.89	\$ 750.11	\$ 722.33	\$ 694.55	\$ 666.77	\$ 638.98	\$ 611.20	\$ 583.42	\$ 555.64
Return	\$ 47.74	\$ 46.53	\$ 45.32	\$ 44.11	\$ 42.90	\$ 41.69	\$ 40.49	\$ 39.28	\$ 38.07	\$ 36.86	\$ 35.65	\$ 34.44	\$ 33.23	\$ 32.03	\$ 30.82	\$ 29.61	\$ 28.40	\$ 27.19	\$ 25.98	\$ 24.77
Total Rate Impact	\$ 75.52	\$ 74.31	\$ 73.10	\$ 71.89	\$ 70.68	\$ 69.48	\$ 68.27	\$ 67.06	\$ 65.85	\$ 64.64	\$ 63.43	\$ 62.22	\$ 61.02	\$ 59.81	\$ 58.60	\$ 57.39	\$ 56.18	\$ 54.97	\$ 53.76	\$ 52.56

Rate Base (Continued)	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
Balance	\$ 555.64	\$ 527.86	\$ 500.07	\$ 472.29	\$ 444.51	\$ 416.73	\$ 388.95	\$ 361.16	\$ 333.38	\$ 305.60	\$ 277.82	\$ 250.04	\$ 222.26	\$ 194.47	\$ 166.69	\$ 138.91	\$ 111.13	\$ 83.35	\$ 55.56	\$ 27.78
Amortization	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78	\$ 27.78
Ending Balance	\$ 527.86	\$ 500.07	\$ 472.29	\$ 444.51	\$ 416.73	\$ 388.95	\$ 361.16	\$ 333.38	\$ 305.60	\$ 277.82	\$ 250.04	\$ 222.26	\$ 194.47	\$ 166.69	\$ 138.91	\$ 111.13	\$ 83.35	\$ 55.56	\$ 27.78	\$ 0.00
Return	\$ 23.57	\$ 22.36	\$ 21.15	\$ 19.94	\$ 18.73	\$ 17.52	\$ 16.31	\$ 15.11	\$ 13.90	\$ 12.69	\$ 11.48	\$ 10.27	\$ 9.06	\$ 7.86	\$ 6.65	\$ 5.44	\$ 4.23	\$ 3.02	\$ 1.81	\$ 0.60
Total Rate Impact	\$ 51.35	\$ 50.14	\$ 48.93	\$ 47.72	\$ 46.51	\$ 45.31	\$ 44.10	\$ 42.89	\$ 41.68	\$ 40.47	\$ 39.26	\$ 38.05	\$ 36.85	\$ 35.64	\$ 34.43	\$ 33.22	\$ 32.01	\$ 30.80	\$ 29.59	\$ 28.39
NPV	\$1,148.44																			

Deferral Account	1	2	3	4
Deposit	\$ 74.60	\$ 55.95	\$ 37.30	\$ 18.65
Carryng Charges	\$ 2.61	\$ 0.37	\$ 0.75	\$ 0.37
Disposition	\$ 21.26	\$ 19.02	\$ 19.40	\$ 19.02
Ending	\$ 55.95	\$ 37.30	\$ 18.65	\$ -
NPV	\$71.54			