ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O.1998, c. 15, (Schedule B), as amended (the "**OEB Act**");

AND IN THE MATTER OF an application by East-West Tie Limited Partnership, by its General Partner Upper Canada Transmission 2, Inc. ("**UCT 2**" or "**Applicant**"), for an Order or Orders made pursuant to section 78 of the *Act* approving rates for the transmission of electricity to be effective January 1, 2024

APPLICATION

Date: October 10, 2023

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EXHIBIT A

TAB 1

Application

1.1 BACKGROUND

1. By its Decision and Order dated August 7, 2013 (EB-2011-0140), the Ontario Energy Board ("**OEB**" or "**Board**") designated Upper Canada Transmission, Inc. ("**UCT**"), in its capacity as the general partner acting for and on behalf of NextBridge Infrastructure, LP ("**NextBridge**"), as the transmitter for the development, construction, and operation of electricity transmission facilities commonly referred to as the "East-West Tie Line" ("**Project**"). Consistent with this designation, the Board also issued an electricity transmission licence ("**Transmission Licence**") to UCT (ET-2011-0222).[1]

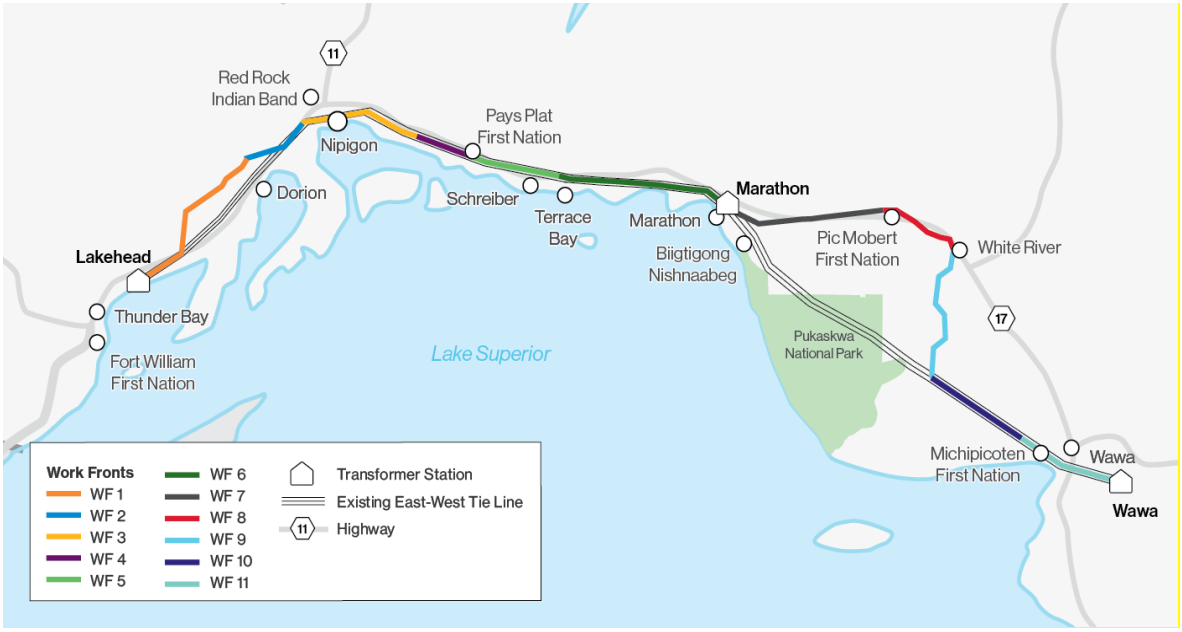
2. The Project is comprised of a 450 kilometer 230 kilovolt ("**kV**") double circuit electric transmission line and related tower facilities located between the Lakehead, Marathon, and the Wawa Transformer Stations. The Project's location, including its eleven construction areas or "Work Fronts", are generally shown in Figure 1 below.[2]

[1] Limited partnership interests in NextBridge (now East-West Tie Limited Partnership) are held by the following entities: NextEra Energy NextBridge Holding, ULC, Enbridge Transmission Holdings Inc., Borealis NB Holdings Inc., NextBridge (OptionCo) Inc., Upper Canada Transmission 2, Inc., and Bamkushwada Limited Partnership ("BLP"). BLP represents the Michipicoten First Nation, Red Rock Indian Band, Biigtigong Nishnaabeg, Pays Plat First Nation, Netmizaaggamig Nishnaabeg, and Fort William First Nation.

[2] Individual Work Fronts shown in Figure 1 are referred to throughout the Exhibits to this Application.

Figure Ex.A.1

Project Map



3. Overall, the Project increases the electricity transfer capability into Northwest Ontario from 175 megawatts (**"MW"**) to 650 MW and improves the flexibility and efficiency of Ontario's transmission grid.

4. Project construction commenced on November 4, 2019. In-service occurred on March 31, 2022. All material Project costs were finalized as of January 20, 2023.[3] Notably, the majority of Project construction occurred during the initial outbreak and subsequent spread of the COVID-19 pandemic. These events materially and adversely affected all aspects of Project construction, including completion timing and overall actual incurred cost levels as compared to original forecast estimates.

[3] See page 2, UCT Quarterly Report dated January 20, 2023. - LINK

5. By Decision and Order dated June 17, 2021 (EB-2020-0150) ("**June 2021 Decision and Order**"), together with OEB Revenue Requirement Order dated August 19, 2021, UCT received approval of a five-year and nine-month Custom Incentive Rate Term ("**Custom IR**") ending December 31, 2027. The Board addressed uncertainties associated with Project construction during the COVID-19 pandemic by authorizing use of the following deferral and variance accounts:

   (a) Account 1509 – Impacts Arising from the COVID-19 Emergency, Sub-account Other Costs ("**Account 1509**"): used to record all incremental cost impacts associated with the COVID-19 pandemic;

   (b) Construction cost variance account ("**CCVA**"): used to record differences in revenue requirement between the June 17, 2021 Board-approved forecast construction costs and the actual incurred final project construction costs, including interest, up to December 31, 2023;

   (c) Debt rate variance account ("**DRVA**"): used to record differences between the Board's prescribed short-term and long-term deemed costs of debt and the actual cost of debt that UCT raised to finance the Project, effective from the Project's in-service date and ending December 31, 2023; and

   (d) Earnings sharing mechanism ("**ESM**"): used to compare actual returns earned on equity to approved levels and share with customers prescribed over-earnings achieved throughout the Custom IR period.

6. In February 2023, NextBridge changed its name to East-West Tie Limited Partnership ("**Partnership**"). UCT 2 is the general partner acting for and on behalf of the Partnership.[4]

7. The main focus of this Application is rate recovery and rate treatment of differences between actual versus budgeted construction costs of the Project as accounted for in the deferral and variance accounts described above. Table Ex. A.1 below provides an overall reconciliation of (1) the construction cost budget approved in the Board's Decision EB-2020-0150; (2) the actual incurred Project construction costs; and (3) the costs that UCT 2 is requesting approval to recover in rates.

[4] On March 9, 2023, the Board approved the transfer of UCT's transmission license and orders respecting the approved revenue requirement and accounting orders relating to the Project to UCT 2. See: Decision EB-2023-0091. - LINK For continuity and convenience in the remainder of this Application, references to UCT 2 include its predecessor, UCT, and NextBridge.

Table Ex A.1

Approved Budget vs Actual Incurred Construction Costs

Description	Approved Budget Amount	Actual Incurred Costs	Costs for Rate Recovery
Total Construction, Development, & Phase Shift[5]	**773,769,745**	**773,770,132**	**773,770,132**
Cost Overruns			
Accumulated Actual Cost Overruns		255,500,000	
Partial overrun allocations made to:			
CCVA			48,687,137
COVID Direct Cost Variances			22,687,695
COVID Indirect Cost Variances			89,014,103
Subtotal Cost Overruns	**0**	**255,500,000**	**160,388,935**
Total Construction Costs	**$773,769,745**	**$1,029,270,132**	**$934,159,067**

8. UCT 2's engineering, procurement and construction ("**EPC**") contractor for the Project was Valard Construction ("**Valard**" or "**Contractor**").[6] The COVID-19 pandemic and other unforeseeable events such as wildfires and changes in construction techniques and routing caused Valard to incur $255,500,000 in additional construction costs over the approved forecast amount in order to complete the Project within the prescribed in-service date.[7]

9. All additional construction costs were subjected to review and scrutiny by UCT 2 and its affiliates. Given the magnitude of these costs, contractual complexities associated with the novel issues arising from an unprecedented worldwide pandemic event, and other cumulative and intervening events, UCT 2 and Valard

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5 See: EB-2020-0150 Decision at page 1 - LINK

6 Valard executed the form of the Procurement and Construction Agreement for Transmission Facilities ("**EPC Contract**") as filed in proceeding EB-2017-0182 - LINK

7 See Ex. C Tab 2, Socotec Report at page 4.

commercially negotiated a materially lower overrun amount of $205,000,000 (the "**Negotiated Outcome**").

10. As shown in Table Ex.A.1, UCT 2 is seeking rate recovery of a portion of the Negotiated Outcome amount, namely, $160.4 million. All of these costs were reviewed and were determined to relate to impacts beyond the control of the Contractor or UCT 2, including: permitting delays; supply chain disruptions; unplanned permitting compliance requirements; worker-related health impacts; and overall worker productivity losses. This approach is intended to provide a material and direct benefit to ratepayers. The additional costs attributed to COVID-19 are described in Exhibit C, Tabs 1 and 2. Additional CCVA costs are described in Exhibit D, Tab 1. Information regarding the Negotiated Outcome is further discussed in Exhibit E, Tab 1.

11. The overall revenue requirement impact of these adjustments as compared to the Partnership's 2023 Base Rates Revenue Requirement is shown in Table Ex.A.2 below:

Table Ex.A.2

Calculation of Updated 2024 Base Revenue Requirement

Component	Amount	Exhibit X-Ref
OEB-approved 2023 rates revenue requirement	$54,003,549	Decision EB 2022-0243
2024 Revenue Cap Index (2.0% - 0.3% = 1.7%)	$918,060	Exhibit B Tab 1
2023 Earnings Sharing Mechanism (ESM)	0	Exhibit B Tab 1
2024 COVID-19 Annualized Capital Costs (Account 1509)	$8,311,781	Exhibit C Tab 1
2024 Annualized Construction Cost Variance Account (CCVA) Amounts	$3,622,832	Exhibit D Tab 1
2024 Debt Rate Adjustment	$9,842,696	Exhibit F Tab 1
2024 Base Revenue Requirement Before One-time DRVA, COVID, & CCVA Disposition	**$76,698,918**	
2023 Debt Rate Adjustment (DRVA)	$6,657,108	Exhibit F Tab 1
COVID Account Balance at December 31,2023	13,647,260	Exhibit C Tab 1
CCVA Account Balance at December 31, 2023	$5,948,391	Exhibit D Tab 1
Updated 2024 Base Rate Revenue Requirement	**$102,951,676**	

12. The total bill impact of the relief sought in this application for a typical Hydro One medium density residential (R1) customer, consuming 750 kWh monthly, is an increase of 0.25% or $0.35 per month. More information regarding these monthly bill impacts may be found in Exhibit A, Tab 2.

13. Table Ex.A.3 below provides an overall summary of the amounts recorded in the deferral and variance accounts and which amounts are requested to be recovered and cleared as described in this Application.[8]

[8] As Account 1509 and CCVA amounts pertain to construction cost adjustments, these were also shown in Table Ex.A.1 above. Table Ex.A.2 shows the two DRVA adjustments – a one time revenue requirement adjustment for the 2023 stub period following debt issuance and an ongoing adjustment to each of the remaining years in the Custom IR period (2024-2027). Further details of each of the Account 1509, CCVA and DRVA are found in the accompanying Exhibits.

Table Ex.A.3

Deferral and Variance Account Summary Balances Amounts

Account	Total Amount	Exhibit X-Ref
Custom IR Methodology Adjustments • ESM for 2022	$0	Exhibit B Tab 1

COVID-19 Costs: Account 1509
• Direct Costs:
  ○ $22.687M
• Productivity Loss:
  ○ $89.014M
	$111,701,798	Exhibit C Tab 1

Construction Cost Variance Account • Wildfires: $20.8M • Kama Cliffs: $12.1M • White Lake Narrows: $4.8M • Delay & Other: $10.5M • Interest: $0.4	$48,687,137	Exhibit D Tab 1
Debt Rate Variance Account • 2023 Actual Interest ($15.1M) less 2023 deemed interest ($8.6M)	$6,657,108	Exhibit F Tab 1

1.2 RELIEF SOUGHT

14. UCT 2, in its capacity as the general partner acting for and on behalf of the Partnership, hereby applies to the Board for an Order or Orders approving adjustments to its 2024 Base Rates Revenue Requirements to take effect on January 1, 2024. The revenue requirements adjustments may be summarized as follows:

(a) Rate base additions from the (i) COVID-19 Account 1509 balance of $111,701,798 and (ii) CCVA capital costs of $48,687,137;

(b) The addition of $918,060 to reflect the 2024 Revenue Cap Index, consistent with the Custom IR rate-making methodology approved in Board Decision

2020-0150 and using the 2023 Base Revenue Requirement approved in Board Decision EB 2022-0243;

(c) Confirmation that no adjustment amount is required to the Partnership's 2024 Base Rates Revenue Requirement regarding the Earnings Sharing Mechanism approved as part of the Partnership's Custom IR rates requirement methodology (as approved in Decision EB 2020-0150);

(d) Adjustments to the Partnership's Base Revenue Requirement for all remaining years of the Partnership's Custom IR term (i.e. 2024 to 2027 inclusive) of $8,311,781 to reflect recovery of the annual revenue requirement associated with capitalized COVID-19 costs;

(e) Adjustments to the Partnership's Base Revenue Requirement for all remaining years of the Partnership's Custom IR term (i.e. 2024 to 2027 inclusive) of $3,622,832 to reflect recovery of the annual revenue requirement associated with capitalized CCVA costs;

(f) Adjustments to the Partnership's Base Revenue Requirement for all remaining years of the Partnership's Custom IR term (i.e. 2024 to 2027 inclusive) to reflect the Partnership's annual actual debt cost of $9,842,696;

(g) A one-time adjustment of $6,657,108 to clear the projected DRVA balance. This amount reflects the difference between the deemed debt cost amounts recovered in the Partnership's 2023 Base Revenue Requirement and the

actual debt costs that the Partnership incurred for the period May 1, 2023 to December 31, 2023;

(h) A one-time adjustment of $13,647,260 to clear the projected COVID balance as of December 31, 2023;

(i) A one-time adjustment of $5,948,391 to clear the projected CCVA balance as of December 31, 2023;

(j) Creation of a new Debt Rate Variance Account ("**DRVA 2**") to track differences between UCT 2's current actual cost of debt and the revised cost of debt that may arise due to new issuances required to finance the incremental rate base additions approved for recovery in this Application; and

(k) Such other relief as may be requested by UCT 2 or as directed by the Board.

15. UCT 2 is requesting the Board's determination of the above so that approved disposition amounts may be included as adjustments to its 2024 Base Rates Revenue Requirement effective January 1, 2024.

16. If scheduling precludes this requested timing, UCT 2 requests the following supplemental relief:

(a) The Partnership's 2024 Base Rates Revenue Requirement is made interim effective January 1, 2024;

(b) Inclusion of the 2024 Revenue Cap Index, the 2023 DRVA balance and the 2024 Debt Adjustment amounts shown in Table 2 in the 2024 Base Rates Revenue Requirement and Uniform Transmission Rates ("**UTR**") effective January 1, 2024 to reflect that these adjustments are not expected to involve complex calculations or significant controversy;

(c) A Foregone Revenue Variance Account ("**FRVA**") effective January 1, 2024 is approved to account for any revenue variances arising between January 1, 2024 and the date upon which the Board determines the Partnership's final 2024 Base Rates Revenue Requirement included in the UTR; and

(d) Any other relief that may be requested by UCT 2 during this proceeding, and as may be granted by the Board.

1.3 CERTIFICATE OF EVIDENCE

17. Attached as Exhibit G is the prescribed form of certificate, attested by Matthew Valle, as to the accuracy, consistency, and completeness of the evidence comprising the Application.

1.4 NOTICE AND FORM OF HEARING REQUESTED

18. The persons affected by this Application are the transmission ratepayers served under the UTR. It is impractical to set out the names and addresses of all transmission ratepayers because they are too numerous. Notice of this Application should be published so as to reach the largest number of customers across Ontario in an efficient manner.

19. The Application may be viewed on the internet at www.nextbridge.ca.

20. UCT 2 requests that this Application be heard by way of a written hearing.

1.5 CONTACT INFORMATION

21. UCT 2 requests that a copy of all documents filed with the OEB, by OEB staff and each party to this Application, be served on the Applicant and the Applicant's counsel as follows:

(a) The Applicant:

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(b) The Applicant's counsel:

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All of which is respectfully submitted on this 10th day of October, 2023.

EAST-WEST TIE LIMITED PARTNERSHIP, BY ITS GENERAL PARTNER UPPER CANADA TRANSMISSION INC.

By its counsel:

McCarthy Tétrault LLP

ORIGINAL SIGNED BY GORDON M. NETTLETON

Gordon M. Nettleton
Partner
McCarthy Tétrault LLP
LSUC No. 61336E

EXHIBIT A

TAB 2

Bill Impacts

BILL IMPACTS

1. An update to the estimated average transmission cost as a percentage of the total bill for a transmission and a distribution-connected customer is presented in Ex.A.T2.1.

Table Ex.A.T2.1

Estimated Transmission Cost as a Percentage of Total Electricity Market Costs

	Cost Component	¢/kWh	Source[1]
A	Commodity	10.86	IESO Monthly Market Report June 2023
B	Wholesale Market Service Charges	0.37	IESO Monthly Market Report June 2023
C	Wholesale Transmission Charges	1.50	IESO Monthly Market Report June 2023
D	Distribution Service Charges	3.47	2021 Yearbook of Electricity Distributors*
E	**Total Monthly Cost for Tx-connected customers**	**12.73**	**E = A + B + C**
F	**Total Monthly Cost for Dx-connected customers**	**16.20**	**F = A + B + C + D**
G	Transmission as % of Total Cost for Tx-connected customers	11.8%	G = C / E
H	Transmission as % of Total Cost for Dx-connected customers	9.3%	H = C / F

2. UCT 2's proposed 2024 revenue requirement and ongoing adjustments represent a 42.0% increase from the approved 2023 rates revenue requirement. One-time adjustments in 2024 only, represent an additional 48.6% rates revenue requirement increase resulting in a total 90.6% rates revenue requirement increase in 2024 as compared to the approved 2023 rates revenue requirement.

[1] 2022 Yearbook of Electricity Distributors is not yet available.

3. UCT 2's current rates revenue requirement represents 2.63% of the total revenue requirement across all transmitters.[2] As such, the proposed 2024 revenue requirement, including ongoing adjustments, results in a net impact of 1.11% on average transmission rates. As described in footnote 5 to Table Ex A.T2.2 below, the proposed 2024 rates revenue requirement, including one-time costs, results in a net impact of 2.39%.

4. A summary of the average bill impact as a result of the 2024 rates revenue requirement, with and without one-time adjustments, relative to the approved 2023 rates revenue requirement is presented in Table Ex.A.T2.2.

[2] UTC 2's 2023 UTR revenue requirement divided by all transmitters' rates revenue requirement ($54,003,549/ $2,051,862,091=2.63%), per EB-2023-0101 2023 UTR Order Update, Schedule A dated on June 1, 2023.

Table Ex.A.T2.2

Average Bill Impacts on Transmission and Distribution–Connected Customers

Description	2023[3]	2024 (Excluding One-Time Adjustments)	2024[4]
Revenue Requirement & Ongoing Adjustments	$54,003,549	$76,698,918	$76,698,918
One-Time Adjustments			$26,252,550
% Change in Revenue Requirement over prior year		42.0%	90.6%
% Impact of load forecast change		N/A	N/A
Net Impact on Average Transmission Rates[5]		**1.11%**	**2.39%**
Transmission as a % of Tx-connected customer's Total Bill		11.8%	11.8%
Estimated Average Transmission Customer Bill impact		**0.13%**	**0.28%**
Transmission as a % of Dx-connected customer's Total Bill		9.3%	9.3%
Estimated Average Distribution Customer Bill impact		**0.10%**	**0.22%**

5. UCT 2's rates revenue requirement is wholly allocated to the Network rate pool. Accordingly, the total bill impact for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly and a typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined based on the forecast increase in the customer's Network Retail Transmission Service Rates ("**RTSR-N**"), which reflects the changes in

[3] 2023 Rates Revenue Requirement per Decision EB-2022-0243 dated Sept. 12, 2022. - LINK
[4] 2024 Rates Revenue Requirement per Table Ex.A.2.
[5] The calculation of net impact on transmission rates is based on UCT 2's current 2.63% share of the total rates revenue requirement across all transmitters, multiplied by the UCT 2's 2024 revenue requirement increase. The net impact is 11.1% excluding one-time adjustments (2.63% x 42.0% = 1.11%) or 2.39% with UCT 2's total 2024 rates revenue requirement (2.63% x 90.6% = 2.39%).

UTRs since the current RTSRs were determined, as detailed in Table Ex.A.T.2.3 below.

Table Ex.A.T2.3

2024 Total Bill Impacts for Distribution-Connected Customers

Description	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month	Typical General Service Energy (HONI GSe) Customer Consuming 2,000 kWh per Month
Excluding One-Time Adjustments		
Total Bill as of January 1, 2023[6]	$137.39	$428.31
RTSR included in 2023 Bill	$15.17	$33.54
Estimated 2024 Monthly RTSR[7]	$15.33	$33.89
2024 Change in Monthly Bill	**$0.16**	**$0.35**
2024 change as a % of total bill	*0.12%*	*0.08%*
Total 2024 Rates Revenue Requirement		
Total Bill as of January 1, 2023[7]	$137.39	$428.31
RTSR included in 2023 Bill	$15.17	$33.54
Estimated 2024 Monthly RTSR[8]	$15.52	$34.29
2024 Change in Monthly Bill	**$0.35**	**$0.75**
2024 change as a % of total bill	*0.25%*	*0.17%*

[6] Total bill amount for a Hydro One R1 TOU customer (750 kWh per month) and a Hydro One General Service Energy Billed TOU customer (2,000 kWh per month), as indicated in the OEB's online bill calculator (https://www.oeb.ca/rates-and-your-bill/bill-calculator), as at August 1, 2023.

[7] The impact on RTSR is assumed to be the net impact on average transmission rates.

EXHIBIT B

TAB 1

Custom IR Adjustments

CUSTOM IR FRAMEWORK ADJUSTMENTS

1.1 INTRODUCTION

1. This Exhibit provides further information regarding the Partnership's proposed 2024 Base Revenue Requirement adjustments arising from its approved Custom Incentive Rate-Setting Mechanism as approved in Board Decision EB 2020-0150.

2. There are two such adjustments:

   (a) an annual adjustment made to the prior period approved revenue requirement using a Revenue Cap Index formula; and

   (b) an ESM.

1.2 REVENUE CAP INDEX ADJUSTMENT

3. The Revenue Cap Index ("**RCI**") formula approved in Decision EB 2020-0150 annually adjusts the prior period approved rates revenue requirement through use of an inflation factor of 2% less a productivity factor of 0% and a stretch factor of 0.3%.

4. The RCI is expressed as: RCI= I – X where "I" is the inflation factor and "X" is the productivity and the stretch factor.

5. The RCI was approved for use throughout the Custom IR Term, namely from March 31, 2022 to December 31, 2022 and the years 2023-2027.[1]

6. The OEB approved the Partnership's 2023 Base Revenue Requirement as $54,003,549.[2]

7. The RCI adjustment to be included in the 2024 Base Revenue Requirement is therefore calculated as follows:

   2024 RCI Adjustment = $54,003,549 x (0.02 – 0.003) = $918,060.

   This amount is shown in the overall 2024 Base Revenue Requirement adjustments found in Table Ex.A.2 at Exhibit A Tab 1 of this Application.

1.3 EARNINGS SHARING MECHANISM ADJUSTMENT

8. The OEB approved an ESM and an Earnings Sharing Deferral Account as part of the Partnership's Custom IR framework for use throughout the Custom IR Term.[3]

9. Decision EB 2020-0150 states that the balance in the ESM deferral account will be considered for disposition as part of this rates update application and thereafter at the end of the Custom IR Term.[4] UCT 2 therefore is providing information regarding the ESM calculations for the period March 31, 2022 to December 31,

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1 EB Decision 2020-0150 at pages 14-15. The Custom IR term was approved for a 5 year and 9-month term to account for the partial year of initial operations in 2022. See Decision at page 19. - LINK

2 EB Decision 2022-0243 at page 5. - LINK

3 EB Decision 2020-0150 at page 17.

4 EB Decision 2020-0150 *ibid*.

2022. All ESM amounts following this time period will be considered at the end of the Custom IR term.

10. The approved ESM is asymmetric with a 50-50 sharing between shareholders and customers for earnings greater than or equal to 100 basis points over the OEB approved return on equity ("**ROE**") of 8.34%. The 8.34% ROE was approved for the complete Custom IR term as the point of comparison for determining if earnings sharing is triggered and as the basis for calculating entries into the ESM deferral account.[5]

11. Calculations of the ESM for the period from March 31, 2022 to December 31, 2022 are provided in Table Ex.B.1 below. As shown, the actual annualized ROE calculated over this period was 8.66%. As this rate is less than 100 basis points above the approved annualized ROE of 8.34%, no entries were made into the ESM deferral account and the ESM is not triggered for this period.

[5] EB Decision 2020-0150 *supra*, footnote 3.

Table Ex.B.1

East-West Tie, Limited Partnership
Return on Equity Calculation
For the Fiscal Year Ended 2022

Line No.		Regulatory	Rate Case Test Year
1	Operating Revenue	$ 39,826	39,826
2	Operation Expenses	10,173	10,923
3	Net Operating Income	29,653	28,903
	Other Inc/(Exp)		
5	Gross Plant	774,582	
6	Accum. Depreciation	(6,883)	
7	Utility Plant, net	767,699	
8	Average Rate Base	771,141	770,428
9	Equity Funded Rate Base	$ 308,456	$ 308,171
10			
11	Debt Return	9,626	9,626
12	Equity Return	20,027	19,277
13			
14	Return on Equity (a)	6.49%	6.26%
15	Annualized Return on Equity	8.66%	8.34%

Notes:

(a) The rate of return on equity reflects 9 months of operations as the Project commenced service on March 31, 2022. Annualized levels are shown on line 15.

EXHIBIT C

TAB 1

COVID Costs

COVID-19 COSTS – ACCOUNT 1509

1.1 INTRODUCTION

1. This Exhibit provides further information pertaining to amounts recorded in, and which are proposed to be cleared from, Account 1509 -- Impacts Arising from the COVID-19 Emergency, Sub-account Other Costs ("**Account 1509**"). UCT 2 tracked Project construction cost variances attributable to COVID-19 in two categories: (1) Material and Labour Costs and (2) Productivity Losses. Table Ex.C.1 below provides a summary breakdown of the Account 1509 amounts.

Table Ex.C.1

Applied-For Recovery of Account 1509 Amounts Due to COVID-19

COVID-19 Costs: Account	Amount
Material & Labour Costs	
• Safety	$4,111,104
• Subcontractor	$5,952,247
• Camp Operations & Security	$4,164,167
• Quarantine/Self-Isolation	$4,059,305
• Flight Program	$3,377,438
• First Nations Consultation and Participation	$1,023,434
Subtotal	**$22,687,695**
Productivity Losses	
• Direct Labour Impacts	$40,935,560
• Equipment Impacts	$26,249,568
• Subcontractor Impacts	$7,963,967
• 15% contractor mark-up and 3% Supercomm Fees	$13,864,978
Subtotal	**$89,014,073**
Total Amount of COVID Costs	**$111,701,798**

2. As directed by the OEB in the June 17, 2021 Decision and Order, UCT 2 tracked and recorded COVID-19 related construction in Account 1509 separately from other construction costs. The Project incurred all of these incremental Project construction costs due to COVID-19, which were necessary to achieve the prescribed in-service timing of March 31, 2022. UCT 2 tracked the differences in revenue requirement due to the COVID-19 related construction costs. Balances in the account accrue interest at the OEB prescribed rate, based on the opening monthly balance of the account. There are two revenue requirement impacts associated with the increase from COVID-19 construction costs: (a) the clearing of the projected December 31, 2023 balance in Account 1509, and (b) inclusion of the COVID-19 related construction costs to the opening rate base effective January 1, 2024, and the corresponding addition to the 2024 revenue requirement. As such, UCT 2 proposes to capitalize these costs, plus interest on the account balance, consistent with the approach set forth in the Depreciation, Amortization, and Depletion Schedule approved in the June 17, 2021 Decision and Order.

3. This Exhibit is organized as follows:

- Section 2.1 provides a summary of COVID-19 Impacts on the Project;
- Section 3.1 describes Incremental Material and Labour Costs incurred due to COVID-19
- Section 4.1 describes the Productivity Loss impacts due to COVID-19; and

- Section 5.1 provides details of the Account 1509 Revenue Requirement adjustment.

Article 2

2.1 SUMMARY OF COVID-19 IMPACTS ON THE PROJECT

2.1.1 Pandemic Overview

4. The outbreak of the unprecedented global pandemic coincided with the commencement of Project construction. This imposed significant, unforeseeable challenges to the Project and its ability to ultimately meet the March 31, 2022, in-service timing. The Project was forced to confront and comply with a myriad of public health and economic restrictions issued by multiple governmental and community agency entities. The unprecedented demands of these orders and directives were further complicated by the uncertainty of virus transmission and the need to adjust safety protocols and mitigation measures as more was learned about the virus. Compounding these features was the fact that the Project uniquely intersected communities and individuals requiring the most care and protection, which cannot be understated.

5. Table Ex.C.2 below illustrates the unpredictability of both the virus and governmental responses to it:

Table Ex.C. 2

Chronology of Ontario COVID-19 Milestones[1]

Date	Milestone
March 11, 2020	The World Health Organization ("**WHO**") declares COVID-19 a global pandemic.
March 17, 2020	Premier Ford declares a state of emergency for Ontario.
July 21, 2020	Ontario ends the state of emergency while still maintaining nearly all orders made under Ontario's Emergency Management and Civil Protection Act.
September 2020	The second wave of the pandemic begins with a significant increase in new cases.
November 2020	The province reintroduces certain restrictions and creates a new five-tiered "response framework."
November – December 2020	Ontario begins placing regions in rolling lockdowns.
December 26, 2020	Province-wide lockdown imposed.
January 2021	Vaccine rollout begins but on a limited basis.
January 12, 2021	Premier Ford declares Ontario's second state of emergency.
January 14, 2021	Premier Ford issues stay-at-home order.
February – March 2021	State of emergency and stay-at-home orders lifted.
March 2021	Medical authorities declare a third wave of the pandemic, and ICU numbers climb to their highest numbers since the beginning of the pandemic.
April 1, 2021	A second province-wide shutdown takes effect.
April 7-8, 2021	Premier Ford issues a third state of emergency and stay-at-home order.
April 12, 2021	Premier Ford orders all schools to close consequently affecting the ability of parents to work outside the home.
May 20, 2021	Provincial government releases a three-step roadmap to reopen the economy.
June 2, 2021	Stay-at-home order expires.
September 2021	Ontario enters fourth wave.
September 22, 2021	Proof of vaccination mandate for various non-essential functions takes effect.
January 2022	Ontario orders a partial lockdown due to record cases caused by Omicron variant, which required the closure of most non-essential indoor facilities.

6. While recollections of the most severe COVID-19 restrictions have quickly faded for many, this Application necessarily calls to mind the real-world impacts of the pandemic and the mitigation measures employed to combat its spread. The

[1] Sourced from https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Ontario.

impacts of confronting a previously unknown and unprecedented serious threat to the health of Indigenous and other local communities – including massive closures across economic sectors and deployment of extensive isolation and mitigation measures – must be underscored. The Provincial Government deemed utility construction projects to be an essential service, requiring work on the Project to continue throughout the Pandemic. This outcome heightened worker stress and impacts that ultimately had the effect of imposing significant overall increases to Project construction cost levels.

7. The Project experienced immediate cost and construction timing impacts in nearly every area: from lodging availability, food costs, available labour resources, and worker transportation to workflows and detailed protocols. Restricting the permitted number of individuals that could be assigned to a given work site or Project vehicle are but two examples. The Project workforce was constantly in flux due to worker absenteeism, quarantine requirements, and possible exposures. All of these factors further exacerbated the uncertainty and challenges of keeping the Project on schedule and maintaining controls on overall cost levels.

8. As described in more detail below, the Project incurred increased costs to implement the extensive government-mandated COVID-19 protocols required to safeguard its workers, the local communities in which the Project was sited (including vulnerable Indigenous communities), and to otherwise meet all national,

provincial, regional, municipal, and Indigenous community directives. While well-founded anxieties regarding severe illness and death impacted nearly every global citizen, these concerns were especially top-of-mind for essential workers required to continue working during the pandemic and those populations susceptible to severe disease (*e.g.*, elderly and Indigenous communities). These fears were particularly acute during the early days and months of the pandemic when little was known about its spread; the healthcare system was severely strained to the point of collapse in some locales; and vaccines were not available, in short supply or, in any event, controversial given the unknown nature of the pandemic itself.

9. Canada's interest in protecting Indigenous communities during the COVID-19 crisis is of particular importance. A February 2021 supplementary report to the Chief Public Health Office of Canada specifically analyzed the impacts of COVID-19 on Indigenous peoples. Among its findings and observations, the report emphasized the following:

> *The rapid spread of the SARS-CoV-2 globally and in Canada has shown a glimpse of its potential to leave an extraordinary shock on our systems and those most vulnerable. Without the prioritization of equitable access to basic needs and resources to communities at risk, the fast spread of the virus will make it difficult for many to promptly and properly respond to their needs. For many years, Indigenous communities have experienced social and economic inequalities due to colonialism and face health inequities such as a high burden of cardiovascular disease, food insecurity, lack of clean water, etc. These circumstances leave many communities disproportionately unprepared for the COVID-19 pandemic.*

> *Maunula (2013) argued First Nations communities cannot fully implement public health behaviours like frequent hand washing due to concerns about the availability of clean water, nor can they physically distance or self-isolate as houses are overcrowded and there are insufficient community buildings to house those who are infected (like a makeshift hospital). Further, Maunula argued that the inequalities that First Nations people face every day are amplified in emergency, which could lead to a higher risk of the number of cases and deaths due to the pandemic.*[2]

10. The sections that follow underscore how UCT 2, with the assistance of its EPC contractor, Valard, prudently incurred costs against the backdrop of a constantly changing COVID-19 landscape to (i) protect the health and safety of workers and local and Indigenous communities, (ii) comply with evolving, volatile, and fluctuating governmental orders and regulations across jurisdictions, and (iii) ensure the Project – as an essential service of Ontario – remained on track in order to achieve a March 31, 2022, in-service date.

2.1.2 Project Impacts

11. Following the WHO's March 11, 2020, declaration of the COVID-19 pandemic, Valard, provided UCT 2 with an Event Notice on March 12, 2020. The Event Notice indicated that Valard found the pandemic to qualify as a Force Majeure Event under the EPC Contract and that COVID-19 would likely severely impact the ability of Valard to complete the Project within the prescribed budget and schedule.

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[2] https://www.canada.ca/en/public-health/corporate/publications/chief-public-health-officer-reports-state-public-health-canada/from-risk-resilience-equity-approach-covid-19/indigenous-peoples-covid-19-report.html.

12. Because the COVID-19 pandemic persisted throughout nearly the entire construction period, the Project was completed in a highly unpredictable and constantly changing environment with periodic work stoppages, re-mobilizations, uncontrollable scheduling constraints, and the implementation of new and unparalleled health and safety protocols that were continuously evolving. For example, the Province of Ontario, municipalities, and Indigenous communities declared a state of emergency and, as a result, different government agencies provided a variety of instructions and directions designed to protect the workforce by curbing the spread of COVID-19. While updated guidance was provided from time-to-time to reflect new learnings about the virus and its spread, the response from governments and health agencies to this new information again affected overall Project productivity levels and resulted in significantly higher construction costs. The cost impacts of these unforeseeable events were delineated into categories: (i) COVID-19 incremental materials and labour costs; and (ii) COVID-19 productivity losses.

3.1 COVID-19 RELATED INCREMENTAL MATERIAL AND LABOUR COSTS

13. To safely continue construction during the pandemic, the Project incurred incremental material and labour costs including: purchase of personal protective equipment ("**PPE**"); employment of additional safety personnel and security; implementation of additional cleaning procedures; procurement of testing equipment; and payment of additional labour and accommodation costs. Total

incremental COVID-19 labour and materials costs of $22.7M were recorded in Account 1509 and may be broken down into the categories shown Table Ex.C.3 and described further below.

Table Ex.C.3

Summary of COVID-19 Incremental Material and Labour Costs

Description	Costs
Safety	$4,111,104
Subcontractor	$5,952,247
Security and Camp Operations	$4,164,167
Quarantine / Self-Isolation	$4,059,305
Flight Program	$3,377,438
First Nations Consultation and Participation	$1,023,434
Total of COVID-19 Incremental Material & Labour Costs	**$22,687,695**

3.1.1 Safety Costs ($4,111,104)

14. In order to proceed with construction activities on the Project during the COVID-19 pandemic, it was critical that the Contractor remained in compliance with provincial and federal health guidelines and regulations. To efficiently track all COVID-19 related costs, UCT 2 developed new financial cost codes for the Project team to account for equipment and tasks related solely to implementing safety-related COVID procedures. These costs include invoices from contractors that were retained to administer COVID-19 testing to Project staff, accommodations for workers while they were awaiting test results, and extended accommodations for workers who were required to isolate following positive COVID-19 test results.

Due to the remote nature of the Project and limited accommodations in adjacent municipalities, work camps were utilized to house workers throughout the duration of construction. The Contractor also incurred additional costs to increase cleaning frequencies in camps, office spaces, and Project vehicles. The procurement of safety equipment, including masks, gloves, and face shields for workers to remain in compliance with health unit regulations, is also included in the claim amount. In addition to these incremental costs, Valard's own safety personnel spent significant time developing COVID-19 management plans to protect their employees, subcontractors, First Nation communities and municipalities in proximity to work camp locations.

15. The Contractor used these cost codes to track the expenses associated with purchasing PPE and the time spent performing tasks solely related to the pandemic, such as testing and assisting with vaccination clinics. The creation of these cost codes ensured that only those incremental expenses specifically related to COVID-19 were recorded (and appropriately separated from base scope safety functions). UCT 2 management's claim review process included analyzing contractor provided timesheets to ensure employees correctly coded their time.

16. In addition to the Contractor's own staff, Valard retained Grand River Occupational Health and Safety Inc., to provide Site Safety Advisors to carry out COVID-19

protocols and Auscan Medical Inc. to provide medics onsite to administer protocol programs and thereby allow construction activities to safely continue.

3.1.2 Subcontractor Costs ($5,952,247)

17. Costs in this category include subcontractor claims for demobilization and standby charges. While the Project's subcontractors were willing to proceed with work despite the elevated health risks imposed by the pandemic, subcontractors incurred increased costs for doing so, which they in turn sought to recover from the Project. For instance, the rights-of-way subcontractors requested amendments to their contracts to include additional compensation for increases in workers, safety personnel, equipment, and PPE. Valard's foundation subcontractors, as well as crane equipment suppliers, similarly submitted additional cost claims specific to COVID-19, including additional amounts for mobilization and travel and compensation required for testing and adhering to new government mandated policies such as limiting personnel to no more than two individuals per vehicle. But for the global pandemic, none of these additional costs would have been necessary or incurred.

18. UCT 2 and its affiliates reviewed all submitted cost claims made by subcontractors to ensure amounts were reasonable and justified. Further information regarding cost controls and management oversight is provided in Exhibit E, Tab 1.

3.1.3 Security & Camp Operations ($4,164,167)

19. Strengthening and expanding security restrictions on Project work site access was critical to proceeding with construction during the pandemic. Project work sites were required to be secure, sanitary, and self-sufficient. As the initial construction plan neither required nor contemplated daytime security, additional security services were procured. All additional security invoices were reviewed to ensure payments were reasonable and justified.

20. The Project also incurred additional catering and camp operation costs due to the pandemic. These included additional cleaning measures intended to prevent or limit outbreaks among each camp population. All additional invoiced costs were reviewed to ensure only those costs related to implementing COVID-19 protocols were paid.

3.1.4 Quarantine / Self Isolation ($4,059,305)

21. Federal, provincial, and municipal governments, as well as Indigenous community leadership, enacted measures to mitigate health and safety threats arising from the pandemic. Common among these requirements was the imposition of mandatory self-isolation periods. However, sets of rules applicable to when a given individual must isolate (*e.g.*, exposure, symptoms, positive test) and for how long, remained inconsistent and in flux throughout the pandemic. Valard strictly monitored and enforced compliance with the government directives and the Project's own safety requirements that were applicable to its workers.

22. During quarantine, workers were paid a living out allowance amount and also provided accommodation. While an employee was in isolation, his or her equipment (primarily work vehicle) could not, in all circumstances, continue to be utilized. In such circumstances, each quarantined employee's time and equipment was tracked pursuant to using a specific quarantining cost code. All submitted costs were reviewed to ensure only reasonable and justified costs were paid.

3.1.5 Flight Program ($3,377,438)

23. The pandemic reduced the availability of commercial flights used to transport workers to Project locations. Commercial flight availability was estimated to be 75-90% lower as compared to pre-pandemic conditions. These reductions resulted in a significant increase in cost as compared to the forecast estimate. While attempts were made to secure favourable pricing, the decrease in supply drove up prices. Given the remote location and size of workforce, a charter flight program was used to ensure workers could arrive at the Project without significant delay. All incremental flight program costs were reviewed to ensure costs were justified and reasonable.

3.1.6 First Nations Consultation and Participation ($1,023,434)

24. The Project also incurred incremental material costs to accommodate First Nations. Figure Ex.C.1 below provides a breakdown of the $1,023,434.

Figure Ex.C.1
Incremental Consultation and Participation Costs

Category of Cost	Amount
FNs' Consultation; Supercom fees	$384,110
FNs' Participation: Indigenous Facilitator Program costs	$639,324
First Nations Consultation and Participation	**$1,023,434**

4.1 COVID-19 PRODUCTIVITY LOSSES ($89,014,073)

4.1.1 Overview

25. The COVID-19 productivity losses claimed in this Application are costs that were incurred by the Contractor resulting from the greater work effort required, and the lost productivity caused by, COVID-19. That is, COVID-19 prevented the Project's workforce from performing the required Project work in the same period of time or manner as originally planned. Two categories were used to track these additional costs, namely (i) Mitigation Tracking and (ii) Work Inefficiency.

26. Mitigation Tracking considers the lost time due to employees being diverted from normal construction-related activities, caused by required pandemic-related activities, to ensure the ongoing health and safety of the Project's workers and surrounding communities. In other words, this measure accounts for lost time as a result of having to perform additional unplanned COVID-19 related tasks such as testing and quarantining safety measures, compliance with new or revised rules and regulations, and incorporating changes in working environments like new cleaning protocols.

27. Work Inefficiency, on the other hand, accounts for the loss of worker productivity while performing assigned work tasks that could not otherwise be completed within the same time period due to COVID-19 impacts. This category captures the reduction in direct work productivity. The reasons for these types of reductions include the following: social distancing; staggered shifts; reduced crew sizes; impacts to work performance due to PPE; new job site compliance regulations; extra mobilizations/demobilizations; work fatigue from anxiety; absenteeism; and construction material delivery alterations.

4.1.2 Quantification of COVID-19 Productivity Losses

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

29. The Contractor initially retained Socotec Advisory, LLC to assist with the development of the PIF for purposes of quantifying the impact of the productivity loss. UCT 2 subsequently retained Socotec to prepare a report on the productivity loss impacts that COVID-19 had upon the Project as well as an evaluation of the reasonableness of the PIF. The Socotec Report is found at Exhibit C Tab 2.

Socotec's PIF recommendation was based on academic journal reviews. As discussed in the Socotec Report, the reasonableness of the recommended PIF was also validated by conducting a construction industry standard evaluation known as a "measured mile" analysis. This additional analysis demonstrates that a *higher* recovery of productivity inefficiencies would reasonably have been expected through applying an even higher productivity inefficiency factor than the negotiated PIF rate.

30. UCT 2 relies on the Socotec Report in support of the applied-for recovery of the claimed Total COVID-19 Productivity Losses.

5.1 CALCULATION OF THE ACCOUNT 1509 REVENUE REQUIREMENT

31. There are two revenue requirement adjustments arising from the COVID capital amounts: (1) clearing the Account 1509 balance; and (2) the incremental revenue requirement arising from rate base additions effective January 1, 2024, and throughout the remainder of the Custom IR Term.

32. Clearing the Account 1509 balance concerns the time period in which COVID costs were incurred and then used to adjust the 2024 revenue requirement. The amount of this one-year adjustment is $13,647,260. The adjustment uses the OEB cost of debt for the period before actual debt cost was determined (May 1, 2023) and actual cost of debt is used for the period following debt issuance. The calculations

also take into account timing differences between when certain CCVA capital cost assets were declared in-service.

33. The Account 1509 balance, as of December 31, 2023, is derived and shown in Tables Ex.C.4 and Ex.C.5.

Table Ex.C.4
Account 1509 Balance, December 31, 2023

COVID Account 1509 Balance at December 31, 2023			
Principal Balance (a)			13,163,807
Interest Accrued			483,453
Total COVID Claim			**13,647,260**
(a) Apr. '22 to Dec. '23 (21 months)			
= 13 months x	580,896	=	7,551,647
= 8 months x	701,520	=	5,612,160
			13,163,807

34. Table Ex.C.5 provides the revenue requirement calculation for the two discrete periods since the COVID related construction costs were deemed to be in-service and shows the monthly COVID revenue requirement to be added to Account 1509.

Table Ex.C.5

Account 1509 Revenue Requirement Calculations

Revenue Requirement Calculation					
	Apr 2022 - Apr 2023			**May 2023 - Dec 2023**	
Depreciation	1,335,042			1,335,042	
Cost of Capital	5,553,935			7,001,422	
Taxes	81,775			81,775	
Annual Revenue Requirement	**6,970,751**	(a)		**8,418,239**	(b)
Monthly Revenue Requirement	**580,896**	=(a)/12		**701,520**	=(b)/12

35. Table Ex.C.6 shows the rate base amounts in support of the revenue requirement calculations:

Table Ex.C.6

Account 1509 Rate Base Calculations

Rate Base		
Opening Balance: COVID Projects at April 1, 2022	111,701,798	(a)
Less: Annual Depreciation Expense	(1,335,042)	
Closing Balance: COVID Projects at March 31, 2023	110,366,756	(b)
Average Rate Base	**111,034,277**	**[(a) + (b])/2**

36. Table Ex.C.7 shows the cost of capital calculations for each of the two discrete time periods for the COVID Account 1509:

Table Ex.C.7

Account 1509 Cost of Capital Calculations

Cost of Capital (Apr 2022 - Apr 2023)				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	62,179,195	2.850%	1,772,107
Short-term Debt	4.00%	4,441,371	1.750%	77,724
Equity	40.00%	44,413,711	8.34%	3,704,103
Total	**100.00%**	**111,034,277**		**5,553,935**

Cost of Capital (May 2023 - Dec 2023)				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	62,179,195	4.864%	3,024,396
Short-term Debt	4.00%	4,441,371	6.145%	272,922
Equity	40.00%	44,413,711	8.34%	3,704,103
Total	**100.00%**	**111,034,277**		**7,001,422**

37. UCT 2 is seeking an increase of $8,311,781 in its revenue requirement to recover Account 1509 balances, effective January 1, 2024. This is summarized in the following Table Ex.C.8.

Table Ex.C.8

Account 1509 Incremental Revenue Requirement Effective January 1, 2024

Ongoing Revenue Requirement Increment Due to COVID Effective January 1, 2024	
Depreciation	$1,335,042
Cost of Capital	$6,896,193
Taxes	$80,546
Revenue Requirement	**$8,311,781**

38. Table Ex.C.9 shows the Depreciation Expense calculation for the in-service date in support of the revenue requirement calculation:

Table Ex.C.9

Account 1509 Depreciation Calculations

Annual Depreciation Expense					
Plant Account	**Serv. Life**	**Dep'n. Rate**	**Asset**	**Asset Value**	**Annul Dep. Exp**
1706	100	1.00%	Land Rights	4,983,215	49,832.15
1720	90	1.11%	Towers	83,460,940	927,343.77
1730	60	1.67%	Insulators	2,890,171	48,169.52
1730	60	1.67%	Arresters	2,050,512	34,175.21
1730	70	1.43%	Conductor	14,028,069	200,400.99
1730	50	2.00%	OPGW	2,423,825	48,476.50
1730	70	1.43%	OHGW	1,865,066	26,643.81
				111,701,798	**1,335,042**

39. Table Ex.C.10 provides the tax calculations applicable to income allocated to the COVID capital costs. The 2024 tax amount is included in the ongoing revenue requirement for the remainder of the Custom IR Term, as discussed in the next section and included in Table Ex.C.12 below.

Table Ex.C.10

Account 1509 Income Tax Calculations

Tax Calculations		
	2023	**2024**
Regulatory Taxable Income	(6,447,241)	(2,143,553)
Income Tax Rate	26.5%	26.5%
Corporate Income Tax *(Does not apply if less than zero)*	**(1,708,519)**	**(568,042)**
Accounting Income	3,785,878	3,728,978
% Taxable	80.0%	80.0%
Accounting Income	3,028,703	2,983,183
Ontario Corporate Minimum Tax Rate	2.7%	2.7%
Net Income Taxes (OCMT)	**81,775**	**80,546**
Combined Income Tax Rates (%)		
Federal Tax Rate	15.0%	15.0%
Provincial Rate	11.5%	11.5%
Total Statutory Tax Rate	**26.5%**	**26.5%**

40. The second adjustment made to the 2024 revenue requirement concerns inclusion of the COVID capital cost in rate base effective January 1, 2024 for the remainder of the Custom IR Term.

41. The Net Book Value of COVID assets at December 31, 2023, is based on the opening value of COVID construction costs as of the April 1, 2022 Project in-service date, less the Accumulated Depreciation to the end of 2023. This amount becomes the rate base value for rates effective January 1, 2024. This is illustrated in Table Ex.C.11 below:

Table Ex.C.11

Account 1509 Assets Net Book Value Calculation

Net Book Value of COVID Capital Projects	
CCVA Capital at April 1, 2022	111,701,798
Less : Acc. Dep'n. to December 31, 2023	(2,336,323)
Net Book Value at December 31, 2023	**109,365,475**

42. The revenue requirement adjustment is then based on the Depreciation Expense (calculated in Table Ex.C.9), plus the Cost of Capital (calculated in Table Ex.C.7) and Taxes (calculated in Table Ex.C.10). The resulting 2024 revenue requirement adjustment (and to all future years of the Custom IR Term) is $8,311,781. Derivation of this amount is shown in Table Ex.C.12:

Table Ex.C.12

Account 1509 Adjusted Revenue Requirement Effective January 1, 2024

Ongoing Revenue Requirement Increment Due to COVID Effective January 1, 2024	
Depreciation	$1,335,042
Cost of Capital	$6,896,193
Taxes	$80,546
Revenue Requirement	**$8,311,781**

43. Table Ex.C.13 shows the components of the Cost of Capital, with ROE being consistent with that approved in the initial rate order and the cost of long-term and short-term debt calculated using the rates of actual debt issued.

Table Ex.C.13

Account 1509 Cost of Capital Inputs

Cost of Capital				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	$65,842,451	4.864%	$3,202,577
Short-term Debt	4.00%	$4,703,032	6.145%	$289,001
Equity	40.00%	$47,030,322	8.34%	$3,922,329
Total	**100.00%**	**$117,575,805**		**$7,413,907**

EXHIBIT C

TAB 2

Socotec Report

Information contained in this Exhibit has been filed separately due to its file size

EXHIBIT D

TAB 1

Construction Cost Variance Account Adjustments

CONSTRUCTION COST VARIANCE ACCOUNT ADJUSTMENTS

1.1 INTRODUCTION

1. This Exhibit provides information concerning the amounts reflected in the Partnership's Construction Cost Variance Account ("**CCVA**") between the commencement of construction and the March 31, 2022 Project in-service date.

2. The OEB approved the establishment of the CCVA account to track differences in revenue requirement due to variances between forecasted construction costs in the approved OEB Revenue Requirement Order dated August 19, 2021 and actual final Project construction costs. Balances in the account accrue interest at the OEB prescribed rate on the opening monthly balance of the account. There are two revenue requirement impacts associated with the increase in actual construction costs as compared to forecast: (a) the clearing of the projected December 31, 2023 balance in the CCVA account, and (b) inclusion of the CCVA related Project costs to the opening rate base effective January 1, 2024, and the corresponding addition to 2024 revenue requirement. UCT 2 proposes to capitalize these costs consistent with the approach set forth in the Depreciation, Amortization, and Depletion Schedule approved in the June 2021 Decision and Order.

3. UCT 2 incurred all of the recorded CCVA costs to meet the Project in-service date due to unforeseeable events that were beyond the reasonable control of UCT 2. The Project incurred these costs due to four key events, each of which could not

have been anticipated: (i) construction stoppages amid 2021 wildfires; (ii) changes made by Ministry of the Environment, Conservation and Parks ("**MECP**") that required helicopter transportation to be used instead of access roads in the Kama Cliffs area; (iii) changes to Project routing and tower specifications to avoid and accommodate Indigenous traditional value locations in the White Lake Narrows area; and (iv) construction permit delays resulting from additional Indigenous community consultations and consensus-based issue resolutions. But for the construction activities required to respond to a natural disaster, government direction, and attention to Indigenous communities' emergent concerns, CCVA costs would not have been incurred. Table Ex.D.1 below provides an overall summary of the CCVA events and amounts:

Table Ex.D.1
Summary of Incremental CCVA Costs

CCVA Event	Area Affected	Work Completed	Amount
Wildfires	Fire in July/Aug 2021 impacted Work Fronts 1 to 6, and Work Front 7 Structures D001 to D017	March 2022	$20,809,264
Kama Cliffs	Towers B149 to B158	February 2022	$12,069,736
White Lake Narrows	Towers E002, E004	February 2022	$4,830,039
ROW Delays	Entire Project	March 2022	$10,553,021
Interest During Construction[1]			$425,078
TOTAL			**$48,687,137**

[1] The Q3 2022 Quarterly Construction Progress Report carried interest during construction ("**IDC**") at $2.4M. This total inadvertently included $1.9M of IDC not associated with CCVA. This correction reduces total IDC to $0.4M and CCVA Cost total from $50.6M to $48.7M.

The remainder of this Exhibit is organized as follows. Section 1.2 describes each of the CCVA events shown in Table Ex.D.1. Section 1.3 provides the derivations of the applied-for CCVA revenue requirement adjustments.

1.2 CCVA EVENT DESCRIPTIONS

A. WILDFIRES

A.1 Introduction

4. As described in its Q3 2021 and Q3 2022 Quarterly Reports filed with the Board on October 22, 2021, and October 21, 2022, wildfires from mid-July through mid-August 2021 significantly impacted more than half of the Project construction Work Fronts and structures.[2] The Project halted construction for approximately six weeks consistent with orders issued by the Ontario Ministry of Natural Resources and Forestry ("**MNRF**").

5. The MNRF initially responded to the wildfires in the vicinity of the Project construction areas during the summer of 2021 with the issuance of an Emergency Area Order ("**EAO**"), EAO 2021-13, dated July 14, 2021. On July 20, 2021, MNRF then published an Implementation Order ("**IO**"), IO-2021-NWR-02 which prohibited Project construction activities within Work Fronts 1 through 6. This prohibition continued until fires were under control, a date that was unknown. To mitigate

[2] Specifically, Works Fronts 1-6 and the western limit of Work Front 7 generally located between Lakehead TS and Marathon TS. Structures D001-D017 were impacted. All Work Fronts are shown in Figure 1, Exhibit A Tab 1.

these scheduling impacts, UCT 2 and Valard planned to remobilize workers and equipment to Work Fronts unaffected by the IO. While these actions were intended to mitigate Project timing delays and preserve the March 31, 2022 in-service date, significant additional costs were incurred.

6. On August 11, 2021, UCT 2 received notice that the IO had been revoked and that new IO-2021-NWR-03 was in effect. While the new IO allowed construction activities to resume in Work Fronts 1-6, it also imposed new restrictions on Work Fronts 1 and 2. For example, only night-time work could be performed and only with equipment that used rubber tires (as opposed to track vehicles that are commonly used and planned to be used for Project construction activities). These restrictions made it impracticable for the required work to proceed until they were revoked on August 18, 2021. Construction on Work Fronts 1-2 thereafter resumed.

7. The effect of these unforeseen changes caused additional costs to be incurred in the following areas:

    - Re-sequencing of construction activities to accommodate the shutdown of Work Fronts;
    - Unanticipated mobilization of resources and equipment;
    - Physical costs such as procurement of fire cache supplies;

- Construction of all-season winter access roads in the Work Fronts affected by wildfires to maintain schedule and address concerns raised by Indigenous communities;
- Additional on-site supervision to ensure adherence to IO restrictions;
- Increased camp and personnel costs; and
- Standby time and construction inefficiencies associated with the restrictions (e.g., work only being permitted during certain times of the day).

8. The added costs attributed to the wildfires event are summarized in Table Ex.D.2. A description of each of these cost categories is then provided.

Table Ex.D.2
Summary of Incremental CCVA Costs Due to Wildfires

Description	Cost
Mobilization Costs	$ 5,064,600
Erection Crew Standby Charges	$ 1,957,357
Equipment Standby Charges	$ 298,079
Direct Activity Supervision Costs	$ 1,695,308
Fire Mitigation Costs	$ 403,252
Camp Costs	$ 980,280
All-Season Access Road Construction Costs	$ 10,504,333
Total	**$ 20,903,210**
Settlement with Contractor	**$ 20,809,264**
Negotiated Reduction	**$ (93,946)**

A.2 Mobilization Events ($5,064,600)

9. As the fire shut-down work in Work Fronts 1 through 6 and the western limit of Work Front 7 [Structures D001 to D017], the Contractor mobilized all crews to east of the Pic River (east of Marathon, Ontario) in order to perform as much work as possible to keep the Project moving forward. This resulted in additional costs for the mobilization and repositioning of crews.

10. As summarized in Table Ex.D.3 below, there were two mobilization events that impacted the applicable crews. The first mobilization event occurred when the shutdown on the western portion of the Project occurred and required that crews move to the eastern portion of the Project where fire restrictions were not in place. This move allowed the crews to continue work on the eastern portion of the Project. The second mobilization event occurred when the fire restrictions were lifted, and the crews were required to mobilize back to the western portion of the Project.

11. Mobilization costs are summarized in Table Ex.D.3 below.

Table Ex.D.3
CCVA Wildfire Mobilization Cost Summary

Crew	Cost
Helical Pile Crew	$1,938,120
Drilled Pier Crew	$2,200,200
Lattice Assembly Crew	$299,920
Tower Erection Crew	$626,360
TOTAL	**$5,064,600**

A.3 Erection Crew Standby ($1,957,357)

12. When the IO took effect, the Contractor was performing significant tower erection work along Work Fronts 1 through 6. While some erection crews were relocated to unaffected Work Fronts, sufficient work space in those areas could not accommodate all affected erection workers. Several erection crews were therefore unable to continue with the planned work until the IO was lifted altogether, or until alternate contingency plans were developed. This resulted in equipment crews being placed on standby status, which resulted in the additional costs presented.

A.4 Equipment Standby ($298,079)

13. The impact of the IO also resulted in construction equipment being left in place or moved (for safety purposes) but not used in other unaffected Work Fronts due to congestion. In accordance with the EPC Contract, equipment standby costs were charged using the Contractor's Force Account Rates and were applied to all equipment planned to be used throughout the suspension period.

A.5 Direct Activity Supervision ($1,695,308)

14. Additional and unforeseeable supervisory tasks were also required and resulted from the fires and the IO. For example, the Contractor's supervision team was required to develop reactionary contingency plans and measures that resulted in having smaller crew numbers spread out on a non-contiguous, piecemeal basis. Typically, supervisors manage work crew resources in a uniform manner along long stretches of linear Work Fronts. The IO and its work suspension impacts

precluded this approach. Fire restrictions impeded contiguous Work Front designs and thus supervision could not be carried out as cost efficiently as planned. Additional costs for wildfire direct activity supervision were discretely tracked and separated from any of the productivity losses described in Exhibit C Tab 1, Section 3.1.

15. Additional supervision costs were categorized into Right of Way, Foundations, Assembly, Erection, and Stringing. For each category, costs were segregated further into hourly rates for the applicable employees (derived from rates in the EPC Contract). An hourly rate for pickup truck use, and a monthly rate for round trip flights, were all used to calculate the overall incremental cost. Details of the calculated amounts are shown Table Ex.D.4 below.[3]

Table Ex.D.4
Incremental Direct Supervision Costs Due to Wildfires

Supervision Group	# of Staff	Total Cost Per Staff	Costs
Right of Way	13	$55,994	$727,929
Foundations	4	$60,641	$241,844
Assembly	4	$60,641	$241,844
Erection	4	$60,641	$241,844
Stringing	4	$60,641	$241,844
		Total	**$ 1,695,308**

3 For right-of way supervision, 1 truck was occupied with 2 people. Additionally, flights occurred every 3 weeks.

A.6 Fire Mitigation ($403,252)

16. The Contractor incurred costs to procure and transport fire suppression equipment, as well as necessary training for work crews. Fire suppression equipment was stationed in areas proximate to the locations of tower construction and the equipment that remained in the restricted fire zone. Fire mitigation costs are summarized in Table Ex.D.5 below:

Table Ex.D.5
Incremental Wildfire Mitigation Costs

Fire Mitigation	Costs
Labour & Equipment	$ 286,320
Training & Supplies	$ 116,932
Total	**$403,252**

17. The Labour and Equipment charges included movement of a 200-ton crane (which was on standby due to fires) to a safer location away from potential fire impacts. The Training and Supplies costs included fire suppression training and mitigation actions by onsite personnel to limit spread of forest fires. Supplies that included fire caches, hoses, and other fire mitigation equipment were obtained to assist in prevention measures.

A.7 Camp Cost ($980,280)

18. Fire conditions resulted in the Contractor's Nipigon camp, located along the west side of the Project, to remain in place longer than planned. While the camp was

originally planned to close in September 2021, fire work suspensions resulted in the camp continuing operations until the end of November 2021. The Contractor also incurred additional camp operational costs, including facility fees, rent charges, and security costs due to this extension.

A.8 All-Season Access ($10,504,333)

19. Following the shutdown period, the Project focused its efforts on how best to mitigate construction scheduling impacts along Work Fronts 1 through 6. New logistical challenges emerged due to efforts to avoid additional scheduling upsets to eastern Work Fronts by minimizing construction resource remobilization that had already relocated to the eastern areas of the Project. Ultimately, construction in Work Fronts affected by the IOs was rescheduled to commence in the late fall/early winter 2021-2022 period. This scheduling change, however, could not be accommodated without the development and construction of all-season roads that would allow access to and across the transmission corridor outside of the winter months. The original construction plan contemplated site access in the winter periods through the exclusive use of winter access only roads. From a material and labour standpoint, winter access roads are substantially more efficient to establish and maintain as compared to all-season access roads. However, construction of all-season access roads was critical to recover schedule following the delay and allowed work to be completed in an efficient manner. While development and use of all-season roads allowed for early construction re-

commencement, this alteration resulted in additional construction costs in order to allow for necessary construction resource access. A breakdown of the All-Season Access Road costs described above is shown in Table Ex.D.6 below:

Table Ex.D.6

Incremental All-Season Access Road Costs Due to Wildfires

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

A.9 EPC Change Order Amounts & Negotiated Reductions

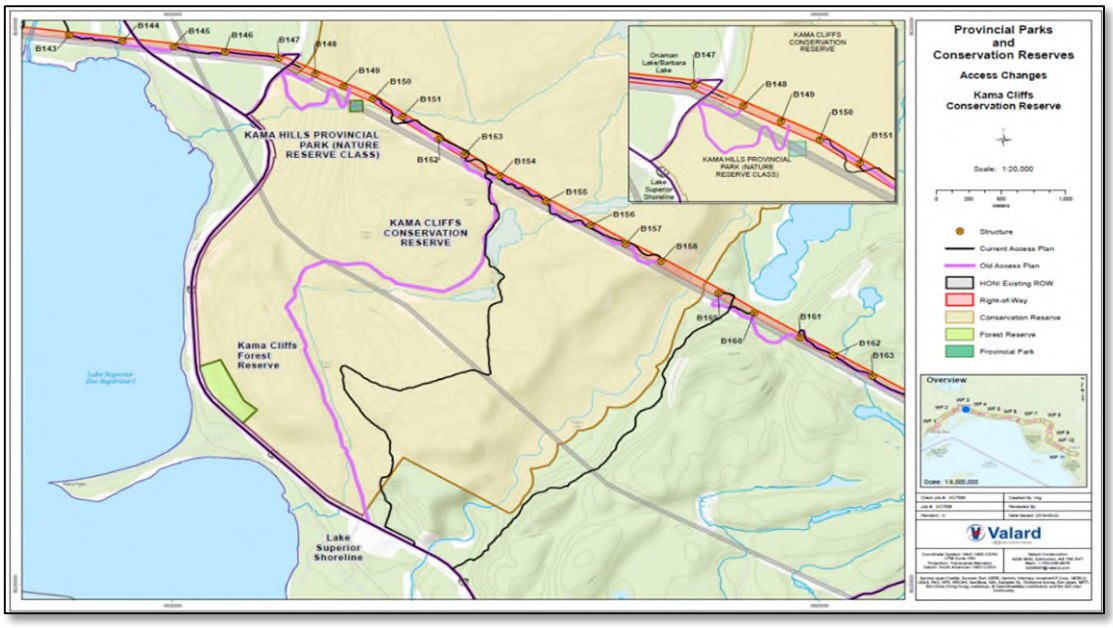
20. In accordance with the EPC Contract, UCT 2 was notified of changes in costs resulting from the wildfire events. Initially, the Contractor's costs described in its Change Order amounted to $20,903,210. Following UCT 2's thorough review of

the costs, UCT 2 and the Contractor reached an agreement whereby total incremental costs arising from the wildfire events were reduced to $20,809,264.

B. KAMA CLIFFS CONSERVATION RESERVE

21. The Kama Cliffs Conservation Reserve is located in Work Front 3. As seen in Figure Ex.D.1 below. Tower sites B149 to B158 are located in the northern portion of the Kama Cliffs Conservation Reserve.

Figure Ex.D.1
Kama Cliffs Conservation Reserve



22. Construction access to the tower sites within Work Front 3 was originally planned through use of conventional access roads and associated water crossing techniques, such as bridges, culverts and rig mats.

23. On July 27, 2020 MECP rejected the use of traditional road construction methods to access the right of way ("**ROW**"). The MECP's decision required the Contractor to execute all construction work at these tower sites by helicopter access. The logistics and coordination involved with the use of a helicopter for construction, combined with the engineering changes, specific tools, and equipment required for the construction, significantly increased construction complexity and costs in the amount of $12,069,736. Table Ex.D.7 below provides a cost comparison between the original budgeted costs to the costs incurred resulting from helicopter access.

Table Ex.D.7
Incremental Helicopter Access Cost Comparison

Description	Conventional Cost	Helicopter Cost	Delta
Right-of Way	$1,411,035	$1,059,578	$-351,457
Geotechnical Investigations	$29,399	$59,824	$30,424
Foundations & Anchors	$679,949	$5,002,774	$4,322,824
Assembly	$718,620	$1,103,492	$384,872
Erection	$276,729	$6,123,312	$5,846,583
Stringing	$301,673	$1,320,695	$1,019,021
Additional Planning & Mgmt		$817,468	$817,468
Total	**$3,417,406**	**$15,487,142**	**$12,069,736**

24. In its Q3 2021 quarterly report to the OEB, filed on October 22, 2021 ("**Q3 2021 Report**"), the initial incremental cost estimates for the switch to aerial construction was estimated at $9 million. Intervening and unforeseeable events resulted in actual incremental costs for aerial construction to be approximately $12 million. This increase was due to the cumulative impact of both wildfires that spread across

Project Work Fronts 1-6 and the timing of aerial construction commencement in Kama Cliffs. Because wildfire suppression required extensive use of helicopters, the Project was forced to confront very low helicopter availability during the time that the work was scheduled to be performed. These constraints were further amplified by the fact that fire-fighting efforts utilize the same heavy-lift helicopters required for aerial construction. As a result, additional contingency measures were necessary to adapt to the use of helicopters with less than half of the lift capacity as heavy lift helicopters. This change required additional logistical planning and time-consuming procedures to break down towers into smaller parts and undertake more trips to each construction site. These impacts also caused some of the Kama Cliffs work to be shifted to fall and winter, which resulted in shorter workdays and an increase in problematic weather conditions that caused further delays. Further description of each cost category shown in Table Ex.D.7 is provided below.

B.1 Right-of-Way ($-351,457)

25. Requisite changes to helicopter access resulted in reductions to ROW clearing and access costs. For example, some bridge and access road construction costs were avoided. Conventional construction techniques would have also included a one-year rental of the three planned bridges. Implementation of the helicopter access approach precluded clearing of the tower structure areas with heavy equipment. Instead, falling and hand clearing techniques were used at helicopter accessed tower construction areas and extending to the anchor locations for tangent

supports. For the rest of the transmission corridor ROW in these areas, vegetation was hand cleared to meet line clearances. Felled timber and cleared vegetation was left on-site.

B.2 Geotechnical Investigations ($30,424)

26. Helicopter access necessitated geotechnical equipment and resources to be flown in, which in turn resulted in higher transportation costs. Additionally, helicopter work is deemed high risk work, and as such, a full-time medic was required at the laydown area in case of emergencies.

B.3 Foundations & Anchors ($4,322,824)

27. The original forecast for Foundations & Anchors in the Kama Cliffs area was based on conventional construction techniques and amounted to $679,949. This forecast was revised due to the inability to complete construction activities through use of conventional access and equipment, which meant that transmission tower foundations required redesigns and re-engineering. Specifically, foundations at all helicopter accessed transmission tower structure locations were required to adopt micropile foundations and tangent anchoring methods. The installation of these micropile foundations required the use of specialized lightweight drilling equipment that could be moved from site to site by helicopters. Subsequently, crews had to disassemble and re-assemble the equipment as it was re-positioned at each guy anchor, hub foundation, and structure leg, as well as mobilized to each structure location. Due to the nature of this work, the unconventional installation of the

foundations in the Kama Cliffs region had to be completed by a U.S. based contractor specialized in helicopter supported micropile foundations. All of these changes and additional efforts resulted in incremental cost increases (over the original forecast amount) of $4,322,824.

B.4 Assembly ($384,872)

28. The inability to use conventional construction methods meant transmission tower assembly could not take place at the foundation structure location. Instead, staggered tower assembly occurred at a “fly yard” location allowing helicopters to land, take-off and move partially assembled structures to foundation locations. Additional costs were incurred to develop and maintain the fly yard. Tower assembly at the fly yard occurred in smaller subsections as compared to fully completing the work at the tower site. Kama Cliffs tower assembly costs were tracked discretely and excluded from the productivity losses described in Exhibit C Tab 1, Section 3.1.

B.5 Erection ($5,846,583)

29. The original erection cost forecast for towers in the Kama Cliffs area was based on conventional construction techniques and amounted to $276,729. The highest cost increase arising from the helicopter access program concerned erection construction costs. Helicopter access required tower erection to use what is known as the Paneling method. This technique consists of flying small sections of the self-support towers and piecing (“paneling”) the tower structure together as it is erected

using tie-back anchors and climbers. The tower structure base area could only be prepared using flown-in mini excavators. Additionally, the tower erecting labour crews were required to be flown to and from the erection sites. Various helicopters were required to fly in equipment, crew, and lift tower sections. The effort, skill, and time required to perform this more complex erection work were significantly increased as compared to conventional erection methods that would have been used with the original planned access. The more simplistic planned-for erection steps involved traditional access roads, using all-terrain cranes, which would have required less time to complete the work required. The unconventional helicopter erection method that was implemented to comply with the MECP's decision resulted in a nearly six-month extension, with crews often being restrained, adding to the cost of performing the work. All of these changes and additional efforts resulted in incremental cost increases (over the original forecast amount) of $5,846,583.

B.6 Stringing ($1,019,021)

30. All transmission line stringing was carried out from helicopter supported equipment. Additional cost and work were required for this technique, including work for dead ending and jumper loop installations.

B.7 Additional Planning and Management ($817,468)

31. The complexity of the work at Kama Cliffs required complete redesign and re-planning of the work, including consideration of the appropriate equipment, crews,

subcontractors, seasonality, and material. Reorganizing the work required input from safety, environmental, estimating, construction and scheduling teams. The effort was not only required to address the complexity of the work in question, but was also increased due to the cumulative impacts resulting from the 2021 Ontario forest fires.

C. WHITE LAKE NARROWS

32. On January 23, 2020, the Pic Mobert First Nation ("**PMFN**") provided information regarding previously unidentified cultural and historical resources in the White Lake Narrows Work Fronts. These resources included the potential for historic burial sites on an island in White Lake. A transmission tower was originally planned to be constructed on the island.

33. To address this new information, PMFN's Chief & Council issued a formal stop work order on January 29, 2020. All construction activities in the affected area were suspended within two hours of receiving the Order.

34. UCT 2 and PMFN subsequently engaged in additional consultations to understand the newly identified concerns and to develop a mutually agreeable mitigation plan. Alternatives considered were tower location refinements or a line re-route to avoid the island. While re-routing was jointly considered as the best mitigation measure, UCT 2 also ensured that the planned design was not altered beyond what was needed to mitigate PMFN's concerns and that the re-routing would not introduce new environmental impacts. The re-routing alternative resulted in an incremental

4.4 hectare ("**Ha**") area of disturbance, with environmental features consistent with the original route design. To accommodate a greater span across White Lake, the re-route resulted in an increase to the size of two towers situated on either side of the lake. With these changes, the PMFN Chief and Council approved the re-routing on October 21, 2020, and lifted the Stop Work Order.

35. To achieve these outcomes, significant changes were required to the Project construction schedule in order to accommodate redesigns to the new crossing methods and approaches. This included additional archeological field work and procurement of additional tower components to accommodate the agreed-upon revised route.[4]

36. More specifically, the initial design ran across White Lake by stationing two towers (E002 and E004) on either side of White Lake. Towers E002 and E004 were redesigned so that E003 could be removed. The change in tower sizing was necessary to maintain conductor span clearance over White Lake. The new design subsequently resulted in the procurement and installation of the two tallest and heaviest structures on the Project, increasing the structure heights to 73m (E002) and 78m (E004), respectively.

37. The redesign of the two custom towers, however, were required to then be sited on potentially culturally sensitive areas. These locations reduced construction

[4] These changes were first reported to the OEB in the Q1 2021 Quarterly Report dated April 22, 2021. - LINK

productivity since additional procedures and methods were required to ensure that First Nation representatives and its archaeologist advisor were confident that there would be no significant adverse impacts. Environmental monitoring was required throughout construction. These changes resulted in slower work progress as ground excavation was restricted by location and overall size. For example, limitations on the amount of site levelling required matting to be brought to the sites to create a sufficiently level site to complete required tower assembly and erection activities. Changes to the redesigned tower structures required stringing completed by helicopter. This included hanging the travelers and the use of specialized helicopter techniques for dead-ending activities and installation of jumper loops, conductor, and optical ground wire installation.

38. A comparison of the original planned construction to the actual costs incurred through use of the revised construction method, including the use of helicopters for stringing, is shown in Table Ex.D.8 below.

Table Ex.D.8

White Lake Narrows Incremental Construction Cost Summary

Description	Conventional Costs	Revised Construction	Delta
Right-of Way	$ 65,985	$ 114,675	$ 48,689
Foundations	$ 215,438	$ 886,651	$ 671,213
Assembly & Erection	$ 193,968	$800,801	$ 606,833
Stringing	$ 343,150	$ 994,755	$ 651,606
Additional Mobilization & Demobilization	$ 0	$ 1,983,080	$ 1,983,080
Total	**$ 818,541**	**$ 4,779,961**	**$ 3,961,420**
First Nation Incremental Environmental Monitoring & Consultation Costs			$ 868,618
Total Costs			**$ 4,830,039**

Further descriptions of the cost categories shown in Table Ex.D.8 is provided below.

C.1 Right-of-Way ($48,689)

39. Realignment changes resulted in an additional 0.72 Ha of clearing. The new clearing plan affected 6.46 Ha of land as compared to the original clearing plan of 5.74 Ha.

C.2 Foundations ($671,213)

40. E002 and E004 were redesigned to remove E003, which was located on an island. New locations for these structures were within proximity of a culturally sensitive area. Full-time monitoring from an archaeologist and First Nations representatives were needed to execute work.

C.3 Assembly & Erection ($606,833)

41. The assembly and erection of the new/redesigned structures located on culturally sensitive areas reduced productivity since additional procedures and methods

were required to accommodate monitoring by First Nation representatives and the archaeologist. The assembly and erection costs at White Lake Narrows were tracked discreetly, which kept the costs separate from any of the productivity impact costs described in Exhibit C.

C.4 Stringing ($651,606)

42. Changing the tower structure type required modifications to stringing procedures, which resulted in higher costs. Standard procedures require hanging of travelers by crane/boom truck, but due to the height of the structures, stringing was completed by helicopter, increasing cost significantly.

C.5 Additional Mobilization & Demobilization ($1,983,080)

43. Multiple remobilizations were required due to seasonality constraints and the requirement for PMFN approval prior to commencement of construction activities.

C.6 First Nation Incremental Environmental Monitoring & Consultation Costs ($868,618)

44. To accommodate PMFN's concerns, White Lake Narrows construction was contingent upon archaeological investigations occurring at the tower locations and having archaeological and environmental monitors onsite during construction activities. UCT 2 retained dedicated environmental monitors from Atwell, LLC and archeologists from Stantec to exclusively address these concerns. A Project team construction supervisor as well as a facilitator from PMFN were also appointed to oversee all construction activities within this area. This approach resulted in the

successful installation of the re-designed structures and mitigated PMFN's concerns.

D. RESOLUTION OF OTHER INDIGENOUS COMMUNITY CONCERNS AND UNFORESEEN PERMITTING DELAYS CAUSING INCREASED ROW COSTS

45. On March 1, 2019, Biinjitiwabik Zaaging Anishnabek First Nation ("**BZA**") filed an application for Judicial Review with the Ontario Superior Court of Justice (Divisional Court) of Order In Council 52/2019 dated January 30, 2019. The application sought judicial review of the Minister of Energy, Northern Development and Mines Directive made to the OEB regarding construction of the Project. On March 8, 2019, BZA also filed a Notice of Appeal with the Ontario Superior Court of Justice (Divisional Court) regarding the Board's decision to grant leave to construct the Project made pursuant to section 92 of the Act. Each action named as Respondents the OEB and Her Majesty the Queen in right of Ontario as represented by The Minister of Energy, Northern Development and Mines. Among other claims, the actions challenged the legal basis upon which Decisions and Orders were issued by the OEB, fulfilment of the Government of Ontario's duties and obligations to adequately consult with BZA, the adequacy of economic payments afforded to BZA, and the inability of BZA to participate as an equity owner in the Project.[5]

[5] Following commencement of these actions, Upper Canada Transmission Inc., operating as NextBridge Infrastructure LP, was added as a co-respondent. For continuity and ease of reference, Upper Canada Transmission Inc., is referred to in this Exhibit as UCT 2, its successor.

46. Despite the actions proceeding forward, on October 19, 2019 MNRF issued final permits allowing certain components of construction work to commence within Work Fronts 1 and 7. BZA subsequently objected to MNRF's permitting decision. The concerns raised related to the potential impacts of winter road construction and use upon Caribou wildlife habitat situated on BZA's asserted Aboriginal title lands. BZA's reserve lands are located approximately 50 km north of the proposed Project corridor. In the appeal, BZA asserted that its traditional territory and land use area extended throughout a greater region transected by the Project.

47. Despite earlier consultative efforts carried out by UCT 2 as were delegated on behalf of the Crown, BZA's newly raised concerns were unexpected and ultimately delayed further issuance of additional necessary MNRF permits. MNRF's decision resulted in additional consultation between BZA and UCT 2 in order to address the Crown's consultation obligations.

48. On May 31, 2021, the Province of Ontario, UCT 2 and BZA reached an agreement resolving BZA's concerns, the discontinuance of the actions, and ultimately, MNRF's ability to issue remaining required permits.[6] Permitting delays, however, caused additional changes to ROW access plans. The most significant of which were changes from winter-only construction road access to the use of all-season access roads.

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[6] Delays due to BZA's claims and the resulting settlement were reported to the OEB in the Q3 2021 Quarterly Report dated October 22, 2021 (at page 17 of 18). - LINK

49. A comparison between the original planned versus actual costs incurred to address the BZA concerns is provided in Table Ex.D.9 below.

Table Ex.D.9

Summary of Incremental Costs Attributable to Permitting Delays & ROW Concerns

Description	Planned	Actual	Increase
Conversion of Winter Access Roads to All-Season Access Roads	$2,920,843	$9,037,758	$6,116,915
Double Construction of Access Roads	-	$849,989	$849,989
Water Crossings	$133,644	$901,349	$767,705
Triple Access		$1,289,774	$1,289,774
Subcontractor T&M instead of Unit Rates	$4,163,393	$8,092,748	$3,929,355
Maintenance Costs	$6,295,450	$8,557,497	$2,262,047
Bridge Rental Duration Increase	$1,553,298	$2,269,869	$716,571
Increased, Extended Indirect & Mgmt Costs	-	$2,556,854	$2,556,854
		Subtotal	**$18,489,210**
		Total with Markups	**$21,900,470**
		Settlement with Contractor	**$10,133,021**
		Negotiated Reduction	**$(11,767,449)**
BZA Litigation Costs			$420,000
		Total Costs	**$ 10,553,021**

50. Descriptions of the Table Ex.D.9 cost categories are provided below.

D.1 Conversion of Winter Access Roads to All-Season Access Roads ($6,116,915)

51. Winter construction through use of winter-only access roads was originally planned in certain Work Fronts (e.g. Work Fronts 5 and 10). However, due to the initial permitting delay and subsequent requirements to re-sequence construction activities, the Contractor had to alter these plans and use all-season roads. This change was necessary to maintain construction timing and resulted in additional costs for the construction of all-season roads (i.e. higher unit rates, gravel costs, higher reclamation costs).

D.2 Construction of Access Roads ($849,989)

52. In the Project schedule, some of the first access roads were planned to be constructed as all-season roads. However, due to permitting delays, the initial period prior to the 2019/2020 winter season was lost. This resulted in some of the access roads having to be installed initially as winter roads and then later transformed into an all-season road. All-season roads cannot be built during the winter in a cost-effective manner as significantly more effort is required to establish the subgrade and remove snow. This construction effort occurred in Work Fronts 1, 2, 8, and 9.

53. For example, the original construction plan in Work Front 1 would have allowed the Contractor to construct all 47.41 kilometers of access roads as all-season roads by September, 2019. However, due to permit delays, the access and clearing work had to be postponed until October, 2019. This delay shortened the

Contractor's window to construct all-season roads. While the Contractor attempted to establish all-season access roads prior to significant snowfall, in early January 2020, winter weather conditions began to overwhelm crews with snow and temperatures below -27°C. Consequently, the Contractor was unable to construct 8.7 kilometers of all-season access roads within Work Front 1 and was instead forced to construct a winter access road for this area. To complete the remaining work in summer of 2020, the Contractor subsequently upgraded the same 8.7 kilometers to an all-season road. A similar situation occurred in the other Work Fronts mentioned above.

D.3 Water Crossings ($767,705)

54. MNRF permitting delays resulted in the Contractor making necessary changes to water crossing methodologies. These changes were required given the new seasonal construction timing resulting from permitting delays. This precluded use of the original planned crossing methods. For example, winter water crossings using ice and snow bridge techniques were originally planned along Work Fronts 5 and 10.

55. The inability to use planned winter water crossing techniques resulted in higher cost methods such as the use of temporary bridge structures and temporary watercourse diversions. Additional material and labour costs to complete these tasks were also required. In total, 86 original planned winter crossings were affected and different crossing methods adopted.

D.4 Triple Access ($1,289,774)

56. Work Front 6 includes areas identified by MECP as supporting sensitive Caribou habitat. Timing of construction access to this Work Front was therefore precluded by MECP between May 1 and September 14 of each year.

57. To address these timing restrictions, most of the substantive construction activities were originally planned to be carried out in the first winter season. However, the resolution of BZA concerns and associated MNRF permit issuance timing delayed this work commencing until the winter of 2020. Compounding this timing delay were the resolutions reached with BZA and the MECP Caribou habitat timing restrictions. Completion of work originally commenced in the winter 2020 season could only occur in the next two winter seasons. These necessary but unplanned delays resulted in additional material and equipment and labour costs. These costs largely related to the redundancy of remobilizing work crews and equipment on Work Front 6 over three winter seasons in order to complete all construction tasks.

D.5 Subcontractor Time & Materials Payments Instead of Unit Rates ($3,929,355)

58. Permitting delays also caused the Contractor to incur additional costs with two ROW subcontractors responsible for clearing and access activities. Because of the overlapping nature of the impacts, subcontractors required the conversion of their payment terms from quantity based unit pricing to a daily time and material payment basis for labour crews, equipment, miscellaneous supplies and safety

supervision. Daily rates developed were based on actual costs taken directly from the Project records. Total added costs incurred were accumulated through to Project completion.

D.6 Maintenance Costs ($2,262,047)

59. Maintenance cost increases resulted from road construction changes. For example, increases occurred due to the length of roads and the duration in which roads were maintained during the winter. Higher costs arise to maintain access roads in the winter as compared to summer. To illustrate, in the winter months, a road maintenance crew must be available everyday to address necessary clearing activities.

D.7 Bridge Rental Duration Increases ($716,571)

60. Bridge rental durations across the Project were directly impacted by unforeseeable changes in construction seasons. Because certain bridges were required to be maintained in place for a longer time period, bridge rental costs increased. Monthly bridge rental costs were tracked in Project Labour, Equipment, and Material Reports and applicable rates applied.

D.8 Increased Extended Indirect & Management Costs ($2,556,854)

61. Unanticipated all-season access road construction required additional field oversight management. Tasks included access plan adjustments to avoid wet regions that could have otherwise been traversed during winter conditions; providing oversight during the construction of winter access roads for double and

triple seasons; and managing permitting requirements for water course crossing installations that replaced originally proposed snow fill bridge designs. Construction scheduling changes also resulted in subcontractors altering billing practices from a planned quantity-based method, to charges being based on an incurred time and material basis. These changes resulted in the Contractor undertaking additional supervision to monitor and track time and material metrics. Finally, additional ROW supervisors were engaged to manage the maintenance of all-season access roads and to oversee reclamation efforts. Winter access roads require less reclamation effort as compared to all-season access roads. For example, reclamation of all-season access roads requires removal and disposition of foreign materials from the ROW. These efforts are not required for winter access road reclamation.

D.9 Negotiated Cost Reductions ($11,767,449)

62. The negotiated reduction of $11,767,449 related to a rejection of costs claimed on Work Fronts 7-11. UCT 2 obtained this result by thoroughly reviewing all backup documentation provided by the Contractor used to support the initial claimed amount. The review process also included analyzing the Contractor's internal timesheets and comparing subcontractor invoices to verify that work locations and activity dates directly correlated to the scope of work impacted by the delay period. The types of costs rejected by UCT 2 included standby time for weather delays, inefficiencies related to subcontractor underperformance, and site access delays.

Reduced amounts also concerned all-season access construction activities and circumstances where UCT 2 determined that the Contractor would have been required to establish all-season access regardless of the delay period.

1.3 DERIVATION OF CCVA REVENUE REQUIREMENT ADJUSTMENT

63. There are two revenue requirement adjustments arising from the CCVA capital asset amounts: (1) clearing the CCVA deferral account balance; and (2) the incremental revenue requirement arising from rate base additions effective January 1, 2024, and throughout the remainder of the Custom IR Term.

64. Clearing the CCVA deferral account balance concerns the time period in which CCVA costs were incurred in 2022 and 2023 and then used to adjust the 2024 revenue requirement. The amount of this one-year adjustment is $5,948,391. The adjustment uses the OEB cost of debt for the period before actual debt cost was determined (May 1, 2023) and actual cost of debt is used for the period following debt issuance.

65. The CCVA deferral account balance, as of December 31, 2023, is derived and shown in Tables Ex.D.10 and Table Ex.D.11:

Table Ex.D.10

December 31, 2023 CCVA Deferral Account Balance

CCVA Account Balance at December 31, 2023			
Principal Balance (a)			5,737,670
Interest Accrued			210,714
Total CCVA Claim			**5,948,391**
(a) Apr. '22 to Dec. '23 (21 months)			
= 13 months x	253,184	=	3,291,515
= 8 months x	305,760	=	2,446,155
			5,737,670

66. Table Ex.D.11 provides the revenue requirement calculation for the two discrete periods since the first CCVA projects were deemed to be in-service and shows the monthly CCVA revenue requirement to be added to the CCVA account.

Table Ex.D.11

CCVA Revenue Requirement Calculations

Revenue Requirement Calculation				
	May 2022 - April 2023		**May 2023 - Dec 2023**	
Depreciation	581,901		581,901	
Cost of Capital	2,420,777		3,051,689	
Taxes	35,643		35,643	
Annual Revenue Requirement	**3,038,321**	(a)	**3,669,233**	(b)
Monthly Revenue Requirement	**253,193**	=(a)/12	**305,769**	=(b)/12

67. Table Ex.D.12 shows the rate base amounts in support of the revenue requirement calculations:

Table Ex.D.12

CCVA Rate Base Calculations

Rate Base		
Opening Balance: CCVA Projects at Apr 1, 2022	48,687,137	(a)
Less: Annual Depreciation Expense	(581,901)	
Closing Balance: CCVA Projects at March 31, 2023	48,105,236	(b)
Average Rate Base	**48,396,186**	**[(a) + (b])/2**

68. Table Ex.D.13 shows the cost of capital calculations for each of the two discrete time periods for the CCVA account:

Table Ex.D.13

CCVA Cost of Capital Calculations

Cost of Capital (May 2022 - Apr 2023)				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	27,101,864	2.850%	772,403
Short-term Debt	4.00%	1,935,847	1.750%	33,877
Equity	40.00%	19,358,474	8.34%	1,614,497
Total	**100.00%**	**48,396,186**		**2,420,777**

Cost of Capital (May 2023 - Dec 2023)				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	27,101,864	4.864%	1,318,235
Short-term Debt	4.00%	1,935,847	6.145%	118,958
Equity	40.00%	19,358,474	8.34%	1,614,497
Total	**100.00%**	**48,396,186**		**3,051,689**

69. Table Ex.D.14 shows the Depreciation Expense calculation for the in-service date in support of the revenue requirement calculation:

Table Ex.D.14

CCVA Depreciation Calculations

Annual Depreciation Expense (CCVA Balance)					
Plant Account	**Serv. Life**	**Dep'n. Rate**	**Asset**	**Asset Value**	**Annul Dep. Exp**
1706	100	1.00%	Land Rights	2,172,019	21,720
1720	90	1.11%	Towers	36,377,876	404,199
1730	60	1.67%	Insulators	1,259,730	20,996
1730	60	1.67%	Arresters	893,751	14,896
1730	70	1.43%	Conductor	6,114,374	87,348
1730	50	2.00%	OPGW	1,056,466	21,129
1730	70	1.43%	OHGW	812,921	11,613
				48,687,137	**581,901**

70. Table Ex.D.15 provides the tax calculations applicable to income allocated to the CCVA capital costs. The 2024 tax amount is included in the ongoing revenue requirement for the remainder of the Custom IR Term, as discussed in the next section and included in Table Ex.D.15:

Table Ex.D.15

CCVA Income Tax Calculations

Tax Calculations		
	2023	**2024**
Regulatory Taxable Income	(2,810,140)	(934,304)
Income Tax Rate	26.5%	26.5%
Corporate Income Tax	**(744,687)**	**(247,591)**
(Does not apply if less than zero)		
Accounting Income	1,650,140	1,625,339
% Taxable	80.0%	80.0%
Accounting Income	1,320,112	1,300,271
Ontario Corporate Minimum Tax Rate	2.7%	2.7%
Net Income Taxes (OCMT)	**35,643**	**35,107**
Combined Income Tax Rates (%)		
Federal Tax Rate	15.0%	15.0%
Provincial Rate	11.5%	11.5%
Total Statutory Tax Rate	**26.5%**	**26.5%**

71. The second adjustment made to the 2024 revenue requirement concerns inclusion of the CCVA capital cost additions in rate base effective January 1, 2024, for the remainder of the Custom IR Term.

72. The Net Book Value of CCVA assets at December 31, 2023, is based on the opening value of CCVA Project Costs as of the April 1, 2022 Project in-service date, less the Accumulated Depreciation to the end of 2023. This amount becomes the rate base value for rates effective January 1, 2024. This is illustrated in Table Ex.D.16 below:

Table Ex.D.16

Net Book Value Calculations of CCVA Assets

Net Book Value of CCVA Capital Projects	
CCVA Capital at April 1, 2022	48,687,137
Less: Acc. Dep'n. to December 31, 2023	(1,018,326)
Net Book Value at December 31, 2023	**47,668,810**

73. The revenue requirement adjustment is then based on the Depreciation Expense (calculated in Table Ex.D.14), plus the Cost of Capital (calculated in Table Ex.D.13) and Taxes (calculated in Table Ex.D.15). The resulting 2024 revenue requirement adjustment (and to all future years of the Custom IR Term) is $3,622,832. Derivation of this amount is shown in Table Ex.D.17 :

Table Ex.D.17

CCVA Incremental Revenue Requirement Effective January 1, 2024

Ongoing Revenue Requirement Increment Due to CCVA Effective January 1, 2024	
Depreciation	$581,901
Cost of Capital	$3,005,824
Taxes	$35,107
Revenue Requirement	**$3,622,832**

74. The cost of capital is based on a) the capital structure and ROE approved by the OEB in the June 17, 2021 Decision and Order, and b) the actual market based cost of debt issued effective May 1, 2023. This is shown in Table Ex.D.18 below:

Table Ex.D.18

CCVA Cost of Capital Inputs

Cost of Capital				
		(a)	(b)	(c)= (a) * (b)
Capital Structure	**Cap. Str.**	**Rate Base**	**Cost Rate**	**Cost of Capital**
Long-term Debt	56.00%	$26,694,534	4.864%	$1,298,422
Short-term Debt	4.00%	$1,906,752	6.145%	$117,170
Equity	40.00%	$19,067,524	8.34%	$1,590,232
Total	**100.00%**	**$47,668,810**		**$3,005,824**

EXHIBIT E

TAB 1

Cost Controls, Contractor Management & Negotiated Reductions

COST CONTROLS, CONTRACTOR MANAGEMENT, & NEGOTIATED REDUCTIONS

1.1. INTRODUCTION

1. This Exhibit provides further information regarding the cost control and management initiatives undertaken by UCT 2 during the Project construction phase.

2. Cost controls, and specifically Project contractor management oversight, were responsibilities coordinated by UCT 2 through its affiliate NextEra Energy Inc., ("**NEE**"), specifically, NEE's internal Engineering and Construction Department ("**E&C**") and its Senior Management.

3. NEE is one of North America's largest energy infrastructure developers, with significant design and construction management expertise. NEE and its affiliates have financed, developed, constructed, own, operate, and maintain approximately 1,200 substations and over 19,000 km of high voltage transmission lines at voltages ranging from 69 kV to 500 kV. From 2003 through year-end 2022, NEE's subsidiaries have constructed over 336 new, stand-alone infrastructure projects. Every one of these projects included a transmission component.

4. In the aggregate, NEE's investments represent over $75 billion of capital expenditures. NEE is the fifth largest corporate capital investor in the United States, enabling NEE to efficiently buy, build, and operate its investments. The development and implementation of effective project cost controls, management of third-party contractors, and management oversight efforts of capital cost

expenditures are essential skills used to prudently and efficiently manage its capital expenditure profile.

1.2. E&C'S PROJECT MANAGEMENT PROCEDURES

5. Each contractor hired by NEE, along with the onsite NEE construction management and inspection teams, is responsible for safety, quality assurance and control, constructability reviews, project scheduling, material handling, permit compliance, and outage coordination during the execution of each project. NEE coordinates the safety and health effort of its employees, contractors, and subcontractors, which is an effective framework for providing guidance for project-specific safety related functions. These are implemented throughout each project's life cycle, including design, engineering, construction, commissioning, start-up, and turnover to operations.

6. As part of a project's implementation plan, NEE uses a comprehensive approach to manage permitting requirements, conditions, and mitigation measures associated with each phase of the project, as applicable.

7. NEE also maintains responsibility for the overall project schedule. Weekly meetings with key participants are typically held throughout a project's construction phase in order to effectively manage schedule progress and identify key project risks.

1.3. QUALITY ASSURANCE AND QUALITY CONTROL

8. NEE's E&C team implements quality control and assurance procedures on each project. The E&C team's expertise and capabilities include financial management and controls, invoice management, on-site project management, and EPC management. The E&C team uses a three-part approach to address inspection and quality assurance and control during the execution of a project:

- NEE requires each contractor to develop and use a quality assurance and control plan in accordance with NextEra Energy's standards and procedures. This requirement applies to all work products, including reports, planning studies, calculations, material/equipment specifications, construction drawings and every other exhibit, drawing or document associated with the design and construction of the facility;

- NEE Construction Leads are required to perform construction inspections throughout the construction phase and in conjunction with the Engineer of Record prior to critical milestones and energization. These verifications are also used to validate achievement of milestone payments when applicable; and

- NEE requires the engineer(s) of record to perform site visits, inspections, walk-downs, and witnessing of tests prior to energization to ensure all specified equipment is actually installed and the equipment installation meets the construction specifications.

9. To manage expenditure cost control and variances, the E&C team also maintains dashboard metrics that are reviewed during monthly management meetings. A Construction Project Manager is assigned and is responsible for any budget variances and approves all expenditures following scrutiny and review of all invoices. These reviews include (i) verification that all invoiced material(s), work, and services are within the contracted scope of work, (ii) verification that deliverable(s) are met prior to issuing payment, (iii) verification that all applicable supporting documentation, as stipulated in each purchase order or contract, is provided with each invoice, (iv) verification that hourly rates charged comport with contract amounts or approved rate tables, as applicable, (v) verification that appropriate discounts/percentages are applied according to contract obligations, and (vi) verification that all labour hours charged are actual and reasonable.

1.4. APPLICATION OF E&C PROTOCOLS TO PRUDENTLY MANAGE PROJECT'S CONTRACTOR AND COSTS

10. During the construction phase of the Project, UCT 2 implemented appropriate management practices to oversee Valard and proactively supervise and review construction activities and invoices to ensure all Project costs were reasonable.

1.4.1 Assignment of Valard's Responsibilities and Oversight

11. While UCT 2 maintained overall responsibility for construction management oversight, including safety, environmental compliance, overall facility installation quality, and contractor performance, the EPC Contract assigned various construction specific functional responsibilities between Valard and UCT 2. For

example, Valard assumed the majority of the foundation engineering, ancillary construction material procurement, and conduct of construction activities and related costs and risks. UCT 2 retained responsibility for Project line routing, tower structure and line design, structural steel lattice and steel structures, optical ground wire, overhead ground wire, and conductor procurement. UCT 2 and Valard undertook permitting efforts jointly. UCT 2 took the lead on acquisition of private land rights, submissions for Crown land use, utility, road, railroad and mining claim permits as well as federal and local environmental permitting. Valard managed land access and water course crossing permitting and forestry licensing. Valard was also responsible for foundation design and installation construction, including subsurface risks, foundation hardware procurement, work performance, and quality of assigned work responsibilities.

1.4.2 Oversight of Contractor Performance and Costs

12. As described below, UCT 2 implemented a variety of management practices to ensure that construction activities conformed to EPC Contract scope or otherwise followed appropriate review and approval processes for any deviations from the approved scope.

13. *On-Site Monitoring.* UCT 2 carried out field oversight and monitoring throughout the construction phase in order to ensure quality, contractor performance, schedule, and safety and environmental compliance. While six construction supervisors were initially contemplated to fulfill these tasks, UCT 2 doubled this

number during peak construction to ensure prudent management was maintained during the volatility caused by the pandemic, natural disasters, and other government actions impacting the Project schedule.

14. At the height of the construction phase, UCT 2 also retained 12 individuals who worked on a rotational schedule to track daily progress across the Project's Work Fronts and to review progress reports submitted by Valard. UCT 2 also convened weekly meetings between the field team and the Project management team to discuss Contractor and subcontractor performance and to ensure Valard remained compliant with the responsibilities outlined in the EPC Contract.

15. UCT 2 performed all Project management and supervision tasks with the assistance of NEE. UCT 2 also retained Burns & McDonnell as a Project consulting engineer and Engineer of Record for the transmission line. Their responsibilities focused on engineering design and specifications while supporting site walk-downs and construction reviews with Valard. In compliance with the OEB's Leave to Construct Decision and Order (EB-2017-0182), UCT 2 also engaged Sargent & Lundy, LLC ("**S&L**") to act as an independent engineer on behalf of its lenders to perform a technical due diligence review and to assess projected future performance and operating risks to the Project. S&L also performed a site visit to examine each of the Project's 11 work fronts and to qualitatively evaluate adherence to onsite quality control processes.

16. *Procedures Used to Manage Project Design Changes.* Prior to construction, UCT 2 established processes to document and execute any Project change requests. UCT 2 elected to administer these processes with NEE to maximize efficiency, closely monitor and scrutinize design changes, and ensure all proper approvals were obtained. In this regard, UCT 2 established a Request for Information ("**RFI**") process designed to identify low-cost solutions for deviations. The RFI process utilized a joint document control platform ("**Unifier**"), which allowed the Contractor to submit requests for further information or engineering deviation. UCT 2 managed the Unifier platform with input from NEE's engineering and construction division, as well as Burns & McDonnell. The joint management of this process ensured that the most appropriate subject matter experts ("**SMEs**") and management personnel reviewed and approved change request decisions.

17. For changes that could not be resolved through the RFI process, UCT 2 relied on the change order process described in the EPC Contract. This process allowed Valard to submit reimbursement requests for costs incurred resulting from unforeseeable deviations to Project scope. Prior to any payments, the process required Valard to submit detailed evidence to accompany any change order requests, including impacts to cost and schedule, as applicable. The Project management team thoroughly reviewed each such request to ensure contractual compliance. UCT 2 senior management either approved or denied requests following a detailed review of the accompanying documentation provided by Valard. This process ensured that Valard clearly communicated, documented, and

supported the need for any Project scope deviations that would cause construction cost increases.

18. *Verification of Invoices and Performance*. During the course of construction, Valard submitted monthly progress billing in line with the EPC Contract. UCT 2's senior management then vetted all invoices for accuracy prior to payment. UCT 2 elected to efficiently manage cost control in-house through a dedicated team that attended frequent meetings with the Project team.

19. Throughout construction, UCT 2 also required Valard to provide formal reports in line with the EPC Contract, which UCT 2 Construction Management referenced during their daily oversight of Project activities and to help manage the construction supervision team. These reports included the following:

- Daily reporting requirements: Valard prepared a plan for every working day, which depicted anticipated activities, work locations, crew counts, and planned activity completions. Valard also prepared daily report submissions that outlined measurable progress indicators from the previous day and included a progress tracker that identified specific completions at each individual structure across the Project.

- Weekly reporting requirements: The weekly reports submitted by Valard included detailed updates on project schedule and safety compliance.

- Monthly reporting requirements: Valard also submitted a monthly report on First Nations engagement that was jointly reviewed with UCT 2's First Nations partners.

- Quarterly reporting was also prepared and submitted to the Ontario Energy Board.

20. Examples of the Daily, Weekly and Monthly Reports described above are provided in Exhibit E, Tab 3.

21. In parallel, UCT 2 required its construction supervision team to submit daily reports for each observed construction activity. These reports typically included details of any ongoing activities at individual tower sites, any concerns observed, and general notes on construction progress. UCT 2 also required the construction supervision team to submit photos of activities observed, including, for example, surveying, clearing, access construction, environmental mitigation, and installation of foundations, towers and conductor. UCT 2 then utilized these reports to accurately monitor construction activities, question items found during field observations that may not have met specifications, and to verify the reports submitted by Valard.

22. Work scope amendments made to the EPC Contract were memorialized in documents referred to as Change Orders. The change order process is shown in Section V of the EPC Contract. Copies of all Change Orders are found at Exhibit E, Tab 2.

23. Change Orders 1 through 5 address scope of work changes that occurred early in the Project and cost impacts of these amounts were reflected in the revised and approved construction forecast budget presented to the Board during the EB 2020-0150 proceeding. Change Orders 6 and 7 pertain to the CCVA and COVID-19 cost overruns and reconcile with the $160,389,935 amount shown in Exhibit A, Tab 1, Table Ex. A.1.

2.1 RESOLUTION OF DISPUTED COST CLAIMS

24. As discussed in more detail in Exhibits C, Tab 1 and D, Tab 1, Project construction faced unforeseeable and unprecedented events resulting from the COVID-19 pandemic, natural disasters. and changes introduced by environmental and local community authorities. These events materially impacted construction scheduling and workflows and unavoidably increased costs. As part of the ongoing Project construction management process, UCT 2 reviewed the prudence and reasonableness of the incremental costs identified by Valard. UCT 2 and Valard initiated discussions during 2022 to clarify the allocation of risk and responsibility for incremental costs under the EPC Contract. While Valard incurred total incremental cost overruns of $255.5 million (i.e., through to the in-service date), the parties' negotiations began at a value that was $8 million lower -- $247.8 million. This is because the parties agreed to resolve all outstanding Valard cost claims seven months prior to the in-service date, which had the benefit of excluding approximately $8 million of incremental costs. This approach also avoided other

more formal and contentious dispute resolution processes, including commercial litigation.

25. Table Ex. E.1 below provides a summary comparison of the amounts initially claimed by Valard and the amounts UCT 2 is now seeking to recover in rates as per this Application.

Table Ex.E.1

EPC Claimed Costs vs. Applied-for Recovery Amounts

Description	EPC Claimed Costs	Applied-For Costs from Negotiated Outcome
COVID-19 Direct Costs[1]	$21,586,103	$22,687,695
COVID-19 Productivity Losses	$89,014,103	$89,014,073
Wildfires	$20,903,210	$20,809,264
Kama Cliffs	$12,069,736	$12,069,736
White Lake Narrows[2]	$3,961,420	$4,830,039
ROW Delays[3]	$21,900,470	$10,553,021
Changes in Water Body Crossings	$8,378,493	
Changes to Foundations	$4,453,581	
Structure Work Inefficiency	$21,364,748	
General Delay	$36,503,746	
Carrying Costs from Quanta	$7,206,099	
TOTAL	**$247,341,709**	**$160,388,935[4]**

1 The difference in the amounts shown is due to costs that UCT 2 directly incurred (not the Contractor) for additional First Nation consultation and participation costs concerning COVID-19 safety measures.

2 The Contractor claimed amount does not include costs which UCT 2 incurred directly to mitigate and accommodate potential impacts to Pic Mobert First Nation. These costs were not part of the Contractor negotiations. These additional amounts are included in the White Lake Narrows applied-for CCVA cost category as described in Exhibit D, Tab 1.

3 The Applied-For Costs for ROW Delays includes First Nation incremental monitoring and consultation costs, as explained further in Exhibit D, Tab 1. UCT 2 directly incurred these costs (not Valard).

4 The total Applied-For Costs include an interest during construction amount of $425,078, as explained further in Exhibit D, Tab 1.

26. As explained in Exhibit A Tab 1, UCT 2 and Valard agreed to the Negotiated Outcome whereby the initial $247.8 million claim was reduced to $205 million. Of this latter amount, UCT 2 is seeking to recover $160.4 million from ratepayers in this application. All of these amounts were reviewed and were determined to be (i) necessary to meet the Project's in-service timing, and (ii) relate to causes and impacts beyond the control of either Valard or UCT 2, namely, the unique circumstances arising from global pandemic impacts to the Project on effectively all areas of its construction. When the $160.4 million proposed for cost recovery in this Application is compared to Valard's total incurred costs of $255.5 million, ratepayers stand to benefit from nearly $100 million in savings.

EXHIBIT E

TAB 2

Change Orders

Information contained in this Exhibit has been filed separately due to its file size

EXHIBIT E

TAB 3

Management Report Samples

Information contained in this Exhibit has been filed separately due to its file size

EXHIBIT F

TAB 1

Debt Rate Variance Account Adjustments

DEBT RATE VARIANCE ACCOUNT ADJUSTMENTS

1.1 INTRODUCTION

1. This Exhibit provides further information regarding the Partnership's proposed Base Rates Revenue Requirement adjustments pertaining to the clearance of amounts accounted for in the EB 2020-0150 approved Debt Rate Variance Account ("**DRVA**").

2. Decision EB 2020-0150 acknowledged that UCT 2 did not have existing debt at third-party market rates and noted that UCT 2 planned to issue third-party debt to finance the Project's long-term and short-term debt components totalling 60% of the capital structure. This debt issuance was estimated to occur in late 2021 or early 2022. As a result, the OEB approved the use of the OEB's applicable deemed debt rates until the debt financing was completed. The OEB also approved a DRVA to record the difference between the deemed and actual cost of long-term and short-term debt once known, up until December 31, 2023. The OEB's approval of the DRVA also included interest on the principal balance at the prescribed OEB rate at that time. The OEB directed the disposal of the DRVA in 2023, along with a one-time update to reflect the actual debt costs, concurrent with setting the revenue requirement for 2024.

1.2 DEBT FINANCING TRANSACTION

3. While UCT 2 originally contemplated a debt issuance in late 2021 or early 2022, the debt financing ultimately did not close until May 1, 2023. As discussed below,

the additional time was needed to accommodate the equity buy-in of the Project's First Nations partners, BLP. The extra time required to complete this novel and complex transaction relates to the effectuation and implementation of a progressive ownership structure delivering economic benefits to the communities of the Project's Indigenous partners. In this regard, the transaction also serves as a key milestone and model for advancing Ontario's objectives of accommodation and reconciliation by offering BLP long-term economic opportunities as a partner in the Project.

4. The original commercial agreements between BLP and UCT 2 allowed BLP to acquire up to a 20% equity interest in the Project on, or shortly after, commercial operation date. Because BLP was unable to acquire a 20% interest in the Project at that time, the parties worked diligently during the ensuing months to renegotiate the original commercial agreements and negotiate new agreements, to allow BLP to acquire its full equity interest in tranches over a period of time. This effort required revisiting the implementation agreement, the limited partnership agreement, the shareholder agreement, the credit agreement, and the lender direct agreement, as well as several additional supporting documents. Importantly, all of these agreements had to be finalized before the debt financing proceeded so that potential investors had certainty about the structure.

5. Subsequent to finalizing the renegotiated agreements with BLP, the Partnership launched its debt financing on March 27, 2023. Consistent with the capital

structure approved by the OEB in its June 17, 2021 Decision and Order, the Partnership sought to issue $428 million (CAD) in long-term debt and secure a credit facility of approximately $31 million (CAD) in short-term debt, which comprised 56% and 4%, respectively, of the overall 60% debt portion of the capital structure. In doing so, the Partnership was mindful of the commitments reflected in the June 17, 2021 Decision and Order, including (i) relying on the expertise of the experienced Treasury Department of NextEra to place its long-term debt issue, (ii) privately placing the debt with multiple lenders, and (iii) structuring the debt financing in a manner that minimizes issuance costs to the benefit of ratepayers.

6. NextEra's Treasury Department engaged TD Bank to access the Canadian private debt placement power market. This market generally consists of life insurance companies, pension funds, and certain other private and public investors. The Partnership selected the private placement structure given that (i) it will issue bonds on an infrequent basis, (ii) aggregate bond offerings will be small relative to the size of debt programs undertaken by various public corporate bond issuers, and (iii) the bonds themselves include structuring and features (e.g., amortization) that typically do not have broad appeal to public investors. While the private placement market can accommodate debt terms that exceed 30 years, an offering involving this length of term was expected to only have limited investor market interest. The Partnership accordingly selected a 30-year term to best leverage market capacity and participation. The amortization structure of the bonds also took into account the average useful life of the Project's capital assets, which was

determined to be 83.7 years. The long-term depreciation profile was matched to the bond amortization to help the Project achieve the regulated target of 60% debt to total capital ratio over the 30-year term.

7. This marketing strategy resulted in strong market interest and the placement was oversubscribed. The Partnership issued its long-term debt at 4.864%, which resulted in a tight spread to the interpolated Government of Canada curve of +185 basis points. The Partnership also secured short-term debt through a three-year variable interest rate credit facility. The short-term debt interest rate was 6.145%, effective May 4, 2023.

8. The actual long-term and short-term debt costs are reflected in the updated base revenue requirement calculations for 2024. They were recorded in the DRVA for disposition in this Application, as discussed below.

1.3 DISPOSITION OF THE DRVA

9. Because the Partnership did not have third-party debt at the time of its initial rate application, the OEB approved the use of the applicable OEB deemed debt rates until the Partnership issued debt. The deemed debt rates were 2.85% for long-term debt and 1.75% for short-term debt. The rates were in effect from April 1, 2022 (the date that the Project was placed into service) through May 1, 2023 (the debt issuance date). Because the deemed rates will continue to be reflected in rates charged through December 31, 2023, the DRVA will record and reflect the

difference in debt cost between the deemed and actual cost of debt for the period beginning May 1, 2023, and ending on December 31, 2023. Although much of this variance relates to future months, the costs can be forecasted with a high degree of certainty because the long-term debt costs and short-term debt costs are now known. As a result, UCT 2 proposes that the disposition of the DRVA be completed in this proceeding.

10. Table Ex. F.1 below provides this differential by month from the date the new debt rate percentage became effective on May 1, 2023 through December 31, 2023.

Table Ex. F.1
DRVA Deemed vs. Actual Debt Cost Calculations

Debt Retirement Variance Account (DRVA) - Claim Calculation														
Particulars	**($)**	**%**	**Cost Rate (%)**	**Annual Return ($M)**	**2023 Return ($)**									
Deemed cost of debt					**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
Long-term debt	431,439,693	56.0%	2.85%	12,296,031	1,024,669	1,024,669	1,024,669	1,024,669	1,024,669	1,024,669	1,024,669	1,024,669	8,197,354
Short-term debt	30,817,121	4.0%	1.75%	539,300	44,942	44,942	44,942	44,942	44,942	44,942	44,942	44,942	359,533
Total deemed debt	**462,256,814**	**60.0%**	**2.8%**	**$12,835,331**	**1,069,611**	**1,069,611**	**1,069,611**	**1,069,611**	**1,069,611**	**1,069,611**	**1,069,611**	**1,069,611**	**$8,556,887**
Actual cost of debt					**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
Long-term debt	427,651,000	56.0%	4.86%	20,800,945	1,733,412	1,733,412	1,733,412	1,733,412	1,733,412	1,733,412	1,733,412	1,733,412	13,867,296
Short-term debt	30,546,500	4.0%	6.15%	1,877,082	156,424	156,424	156,424	156,424	156,424	156,424	156,424	156,424	1,251,388
Total actual debt	**458,197,500**	**60.0%**	**4.9%**	**$22,678,027**	**1,889,836**	**1,889,836**	**1,889,836**	**1,889,836**	**1,889,836**	**1,889,836**	**1,889,836**	**1,889,836**	**$15,118,685**
Differential	**($4,059,314)**	**-**	**2.2%**	**$9,842,696**	**$820,225**	**$820,225**	**$820,225**	**$820,225**	**$820,225**	**$820,225**	**$820,225**	**$820,225**	**$6,561,797**
DRVA Principal Balance (Cumulative Differential)					**$820,225**	**$1,640,449**	**$2,460,674**	**$3,280,899**	**$4,101,123**	**$4,921,348**	**$5,741,573**	**$6,561,797**	
Interest	OEB Rate per annum		4.98%		4.98%	4.98%	4.98%	4.98%	4.98%	4.98%	4.98%	4.98%	4.98%
	OEB Rate per month		0.415%		0.415%	0.415%	0.415%	0.415%	0.415%	0.415%	0.415%	0.415%	0.415%
DRVA Interest Balance (Based on Previous Month-End Balance)						**$3,404**	**$6,808**	**$10,212**	**$13,616**	**$17,020**	**$20,424**	**$23,828**	**$95,310**
DRVA Interest Balance (Cumulative)						3,404	10,212	20,424	34,039	51,059	71,483	95,310	
Total DRVA Balance (Including Interest)					**$820,225**	**$1,643,853**	**$2,470,886**	**$3,301,322**	**$4,135,163**	**$4,972,407**	**$5,813,055**	**$6,657,108**	
												Total DRVA Claim	**$6,657,108**

11. UCT 2 proposes having the $6,657,108 balance in the DRVA recovered through a temporary increase in its transmission revenue requirement over a one-year period effective January 1, 2024.

1.4 ONE-TIME ADJUSTMENT TO COST OF DEBT

12. Consistent with the June 17, 2021 Decision and Order, UCT 2 is also seeking to include in its transmission revenue requirement, effective January 1, 2024 and for the duration of the Custom IR term, $9,842,696, which sum is related to the incremental annual cost of actual debt issued. The calculation supporting this amount is provided in Table Ex. F.2 below.

Table Ex. F.2

Incremental Annual Cost of Actual Issued Debt

Annual Debt Cost - One Time Adustment					
Particulars	**($)**	**%**	**Cost Rate (%)**	**Annual Return ($)**	
Deemed cost of debt					
Long-term debt	431,439,693	56.0%	2.9%	12,296,031	
Short-term debt	30,817,121	4.0%	1.8%	539,300	
Total deemed debt	**$462,256,814**	**60.0%**	**2.8%**	**$12,835,331**	(a)
Actual cost of debt					
Long-term debt	427,651,000	56.0%	4.9%	20,800,945	
Short-term debt	30,546,500	4.0%	6.1%	1,877,082	
Total actual debt	**$458,197,500**	**60.0%**	**4.9%**	**$22,678,027**	(b)
Differential (annual)	**($4,059,314)**	**-**	**2.2%**	**$9,842,696**	(b) - (a)

1.5 REQUEST FOR NEW DEBT RATE VARIANCE ACCOUNT ("DRVA 2")

13. In this Application, the revenue requirement associated with COVID-19 and CCVA capital costs has been calculated using the rates for long-term and short-term debt consistent with the rates of actual debt issued in May 2023 (e.g. LTD: 4.864%, STD: 6.145%). Actual debt financing for the incremental COVID-19 and CCVA related capital expenditures has not yet been secured.

14. UCT 2 is therefore requesting the DRVA 2 to track the difference in the long-term and short-term debt rates used in the calculation of UCT 2's revenue requirement for all incremental capital approved in this Application ("current debt issuance rate") and the actual long-term and short-term debt rates to be secured by UCT 2 to finance this incremental capital. UCT 2's actual cost of debt is not known and will not be known until the new financing is secured. Once the actual debt rate is known, the DRVA 2 will record the revenue requirement differential from the date the new financing issues up to the date when the actual cost of debt is reflected in UCT 2's revenue requirement included in the UTR.

15. It is expected that this new debt will be issued by December 31, 2024. As market rates are not currently known, the amounts recorded in this account could be a debit or credit balance. The approval of this account will ensure that UCT 2 recovers no more than an amount equal to its actual cost of the future debt to be issued. In this way, neither UCT 2 nor ratepayer will gain or lose based on the actual debt rates secured.

16. A Draft Accounting Order is provided as Attachment 1 to this Exhibit.

Attachment 1

DRAFT ACCOUNTING ORDER –

Debt Rate Variance Account 2 ("DRVA 2")

17. This account will track the difference in the long-term and short-term debt rates used in the calculation of UCT 2's revenue requirement for incremental capital in this Application ("current debt issuance rate") and the actual long-term and short-term debt rates to be secured by UCT 2 to finance this incremental capital. UCT 2's actual cost of debt is not known and will not be known until the additional financing is secured. Once the actual debt rate is known, this account will record the revenue requirement differential from the date the new financing is issued up to the date where the actual cost of debt is reflected in UCT 2's revenue requirement included in the UTR.

18. Specifically, amounts to be included in the DRVA 2 account will be based on incremental capital balances implicit in the COVID-19 and CCVA deferral accounts as approved in this Application.

19. The effective date of this account is the date the new financing is issued and the end date is expected to be December 31, 2024.

20. This account will accrue interest based on OEB-prescribed interest rates. Simple interest will be calculated based on the opening monthly balance of the account.

21. To ensure all accounting is finalized and an audit has taken place, UCT 2 proposes the disposition of this account effective for the rate year starting January 1, 2025. The account will be discontinued after the disposition.

22. The following are the proposed accounting entries for this variance account:

If actual debt rate is greater than the current debt issuance rate:

USofA #	*Account Description*
Dr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance
Cr: 4110	Transmission Service Revenue

- to record the revenue requirement impact on the debt rate variance

USofA #	*Account Description*
Dr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance,
Cr: 6035	Other Interest Expense

-to record interest on the principal balance of the variance account.

If actual debt rate is lower than the current debt issuance rate:

USofA #	*Account Description*
Dr: 4110	Transmission Service Revenue
Cr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance

- to record the revenue requirement impact on the debt rate variance

USofA #	*Account Description*
Dr: 6035	Other Interest Expense
Cr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance,

-to record interest on the principal balance of the variance account.

EXHIBIT G

TAB 1

Certificate of Evidence

CERTIFICATE OF EVIDENCE

1.1 ATTESTATION

1. With respect to an application by East-West Tie Limited Partnership, by its General Partner Upper Canada Transmission 2, Inc., I, Matthew Valle, President of Upper Canada Transmission 2, Inc., hereby certify that the evidence filed is accurate, consistent, and complete to the best of my knowledge. Upper Canada Transmission 2, Inc. has processes and internal controls in place for the preparation, review, verification and oversight of account balances being disposed.
2. With respect to an application by East-West Tie Limited Partnership, by its General Partner, Upper Canada Transmission 2, Inc., I, Matthew Valle, President of Upper Canada Transmission 2, Inc., hereby certify that the application and any evidence filed in support of the application does not include any personal information.

Company Name:	**East-West Tie Limited Partnership by its General Partner, Upper Canada Transmission 2, Inc.**

Certifier Details:

Name:	**Matthew Valle**
Position:	**President, Upper Canada Transmission 2, Inc.**
Signature:	
Date:	October 10, 2023