

CCMBC INTEROGATORY - 01

Reference:

1. Exhibit A- Tab 1, Page 9, Table Ex.A.3

Interrogatory:

- a) Would the project have been completed on time and at the OEB approved budget were it not for events beyond management control such as COVID-19 and wildfires? Please explain your answer.
- b) Were there any factors that were within management control that caused the project to go over budget and behind schedule? Please explain your answer.

Response:

- a) Yes. Had the unforeseeable events described in the Application not occurred – i.e., a global pandemic, wildfires, and government directives to change construction methods – the Project would have been completed on schedule and at the OEB approved budget. At the Project's outset, both UCT 2 and the EPC Contractor collaborated to develop attainable execution plans, which were subsequently altered solely by the events that contributed to the additional costs recorded in the CCVA and Account 1509. In its quarterly reports filed with the OEB, UCT 2 apprised the OEB of the Project's costs compared to budget and indicated that the Project would be within budget had the unforeseeable events described in the Application not occurred. See response to Staff IR-53 (Exhibit I-01-53). Factors that were within the control of either UCT 2 or the EPC Contractor did not contribute to the increased costs outlined in the Application.

Due to the unforeseeable events, UCT 2 undertook greater direct involvement with its EPC Contractor (Valard) to manage Project costs. Through these efforts, cost reductions of \$95 million were achieved. Please refer to UCT 2's Response to Staff IR-8 and 46 (Exhibits I-01-8 and I-01-46).

- b) Please see UCT 2's response to subpart (a) of this Interrogatory.

CCMBC INTERROGATORY - 02

Reference:

1. Exhibit A- Tab 2, Pages 1 and 2, Paragraphs 2 and 3

Preamble:

“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.

UCT 2’s current rates revenue requirement represents 2.63% of the total revenue requirement across all transmitters. 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%.”

Interrogatory:

- a) Does UCT 2 believe that a 90.6 % increase in rates revenue requirement is reasonable? If the answer is yes, what size of an increase would be unreasonable?
- b) Has UCT 2 considered a mitigation plan to spread the increase over the remaining IR term until rebasing?

Response:

(a-b)

Based on UCT 2’s understanding of applicable regulatory principles, if a utility demonstrates that it has incurred costs required for the provision of utility-regulated services, and these costs have been incurred prudently, then this determination allows the utility to recover these costs through rates. The size of the resulting increase in rates, and how it may be mitigated to allow for rate smoothing, are ancillary issues to the primary consideration of whether the incurred costs are prudent or not. The magnitude of an applied-for cost total amount is not, by itself, indicative of prudence or imprudence. Surrounding facts and circumstances must be taken into account. It is important to note that the magnitude of the rate increase is one-time in nature and is due to the completion and in-servicing of a new project that incurred unforeseeable expenditures, the finalization costs associated with that asset, and the clearing of project deferral accounts.

In the Application, bill impacts for the relief sought are described at Exhibit A Tab 5. As shown in Table Ex.A.T5.2 of this Exhibit, rate recovery of all applied-for cost adjustments results in a 2.39% increase in average 2024 transmission rates. Estimated average transmission customer bill

impacts resulting from approval of the applied-for relief is less than one-third of one percent (0.28%).

With respect to mitigation, UCT 2 has assessed the total bill impacts of spreading the applied-for one-time DRVA, COVID, CCVA and ESM balances over 2 and 4 years. As shown in the table below, the results demonstrate that only very minor overall customer bill impacts arise between the different options:

Description	As Filed		2-Year Spread of One-Time Adjustments		4-Year Spread of One-Time Adjustments	
	Residential	General Service	Residential	General Service	Residential	General Service
Typical Monthly Bill	\$137.39	\$428.31	\$137.39	\$428.31	\$137.39	\$428.31
Total Bill Increase (Related to Network)	\$0.34	\$0.74	\$0.25	\$0.55	\$0.21	\$0.45
<i>Bill Impact (%)</i>	<i>0.25%</i>	<i>0.17%</i>	<i>0.19%</i>	<i>0.13%</i>	<i>0.15%</i>	<i>0.10%</i>

Given these results, UCT 2 is proposing recovery of all applied-for one-time adjustment costs in one year. This reduces the interest costs that would arise if their recovery were to be spread out over the remainder of the Custom IR term, or longer.

CCMBC INTERROGATORY - 03

Reference:

1. Exhibit C- tab 1, Page 9, Table Ex.C.3, "Summary of COVID-19 Incremental Material and Labour Costs"

Interrogatory:

- a) Please break down Table Ex.C.3 into separate Incremental Material and Incremental Labour Costs.
- b) Please identify the source of each cost shown in Table Ex.C.3.
- c) Which materials were supplied by UCT 2, and which were supplied by Valard?
- d) Did all deliveries of materials supplied by UCT 2 arrive on time?

Response: (a & b)

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's *Practice Direction on Confidential Filings*.

The requested breakdown of the costs summarized in Table Ex.C.3, and the source of each cost, is shown in the below table.

Category	Cost Type	Costs	Source / Support
Safety	Labour		Contractor Accounting Data
	Materials		Invoices
	Equipment		Contractor Accounting Data
	Accommodations - Hotel		Invoices
	Subcontractors		Invoices
Subtotal		\$4,111,104	
Subcontractor	Subs -		Invoices
	Subs -		Invoices
	Subs -		Invoices
	Subs -		Invoices
	Subs -		Invoices
	Subs -		Invoices
	Other Costs Paid by UCT-2	\$78,158	Invoices
Subtotal		\$5,952,247	
Security & Camp Operations	Labour		Contractor Accounting Data
	Equipment		Contractor Accounting Data

Category	Cost Type	Costs	Source / Support
	Subcontractors		Invoices
Subtotal		\$4,164,167	
Quarantine / Self Isolation	Labour		Contractor Accounting Data
	Equipment		Contractor Accounting Data
	Accommodations - Camp		Camp Manday Rate
	Accommodations - Hotel		Invoicing
Subtotal		\$4,059,305	
Flight Program	Charter/Commercial	\$3,377,438	Contractor Accounting Data
Subtotal		\$3,377,438	
First Nations Consultation and Participation	Third Party	\$1,023,434	Contract Requirement
Subtotal		\$1,023,434	
Total		\$22,687,695	

c) Valard purchased and supplied all materials included in Table Ex.C.3

d) No, materials which UCT 2 was responsible for were not all received on time. Supply chain disruptions were the cause of these delays. UCT 2 was responsible for the following categories of materials: tower steel, conductor, overhead shield wire, and OPGW (fiber). The delays experienced were not uniform in nature and were impacted by a variety of pandemic and non-pandemic related causes. These included manufacturing delays, railroad worker strikes, and port closures, among others. Examples of the notices received by UCT 2 from its vendors, which resulted in supply chain disruptions and delays that affected Project construction scheduling, are found as Attachment 1 to this Response (Exhibit I-03-03 Attachment 1). In addition to the delays in receiving UCT 2 supplied materials, construction planning and timing was also affected in terms of which materials were received and when. The random timing of the delays affecting supplied materials resulted in the EPC Contractor having to reassess and re-organize the timing and execution of construction.

CCMBC INTERROGATORY- 04

Reference:

1. Exhibit C- Tab 1, Page 14 Figure Ex. C.1, “Incremental Consultation and Participation Costs”

Interrogatory:

Please provide backup calculations that show how each cost shown in Figure Ex. C.1 was determined and identify the sources of each input number used in the calculations.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's *Practice Direction on Confidential Filings*.

Please see the table and detail below regarding the sources of each input number in Figure Ex. C.1. All amounts are incremental Indigenous Facilitator Program expenses due to COVID.

Category of Cost	Vendor	Incremental Costs Due to COVID	Amount
FNs’ Consultation: Supercom fees	Supercom	Personal Protective Equipment	
		Vehicles	
		Vehicles Improvement	
		Total	384,110
FNs’ Participation: Indigenous Facilitation Program costs	Atwell	Labor	
		Travel & Per Diem	
		Vehicles	
		Supplies	
		Consultants	
		Total	639,324

Supercom fees (\$384,110)

Prior to COVID-19, the Indigenous facilitator program (“IFP”) had Indigenous monitors travel in the same vehicle as an Environmental Monitor (Atwell/DST Consulting Engineers, Inc. employees) for up to 8 hours a day, 5 days a week. The vehicles were single cab trucks and did not allow for social distancing. In addition, Indigenous communities had specific concerns about the movement of community members off-reserve to work, given the increased likelihood of exposure to and contracting the COVID-19 virus.

Through consultations with Indigenous communities, and in alignment with Provincial guidelines at the time, it was decided that it was not safe for the Indigenous facilitators to share vehicles with other Project team staff who did not live in those communities. As such, seven additional vehicles capable of accessing the right-of-way (“ROW”) were needed and provided through Supercom to each community so that their facilitator (i.e., the Indigenous monitors) could access Project sites safely while maintaining social distancing from the rest of the construction team. Vehicle

improvements were made to the seven trucks provided through Supercom to ensure they were fitted with all required equipment allowing community members to travel along the ROW.

The Indigenous Facilitators met up prior to each shift and always traveled with their Atwell/DST partner employee, but in separate vehicles. For safety and work productivity reasons, Atwell/DST and Supercom's trucks traveled in a convoy. Use of the provided vehicles was limited to work related travel.

To ensure the safety of the facilitators in the field, UTC 2 also paid for Supercom to provide PPE. This included, for example, masks, gloves, and hand sanitizer, all of which were not required prior to the pandemic.

UTC 2 also required Supercom to conduct significant due diligence to find the most cost-effective way to procure the vehicles required for the program. UTC 2 requested that Supercom price out both purchasing and renting vehicles, and UTC 2 required multiple quotes from Supercom related to the provision of the vehicles. Through a series of negotiations, UTC 2 and Supercom agreed to a monthly rental fee for the vehicles that was in line with the market price for rental vehicles and provided a cost savings when compared to buying the trucks outright.

UTC 2 was able to use the itemized support from Supercom to ensure the vehicle and PPE costs were recorded to a COVID financial cost code when processed.

Atwell Indigenous Facilitator Program (IFP) costs (\$639,324)

The \$639,324 is comprised of incremental Atwell IFP labour, travel, and transportation costs incurred in response to implementing COVID protocols. Atwell had been operating as both the IFP Third-Party Environmental Inspectors and Monitors for UCT 2 since September 2019 and had established strong relationships with the Project team, Supercom, individual Indigenous Facilitators, Valard, and communities. The onset of COVID-19 resulted in the suspension of construction activities and the IFP beginning in March 2020 and extending through June 2020.

Before the onset of COVID-19, the IFP had been operating since mid-September 2019 with six Atwell/DST Consulting Engineers Inc. (the latter a local Thunder Bay firm and a certified aboriginal business) and IFP field escorts training and supporting up to 10 Indigenous Facilitators from seven communities with an assumption of 50 hours a week for 26 months.

Due to COVID-19 restrictions, the IFP was re-written to ensure a safe work environment. The updated IFP was revised to support seven days per week of field coverage to ensure Facilitators had access to the ROW and construction areas, including on weekends, to monitor during construction activities from October 1, 2020, through March 31, 2021 (27 weeks). Atwell also provided the Facilitators with an environmental specialist as an escort to provide "on the job" training for environmental compliance exposure and experience.

The suspension and relaunching of the IFP caused significant Facilitator staffing turnover, which required additional and retaining support by Atwell to ensure the six new Facilitators were exposed to the different environmental monitoring, sampling, and surveying activities and

techniques required for the various construction activities. Each of the seasonal changes requires different levels of training, environmental monitoring, and construction techniques. The seasonal changes include weather and climatic changes such as dry season restrictions/limitations and techniques, rain and snow monitoring requirements and techniques, and different waterbody crossing methods based on temperature and seasonal changes.

CCMBC INTEROGATORY- 05

Reference:

1. Exhibit C, Tab 1, Page 15, Paragraphs 28 and 29

Preamble:

"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."

Interrogatory:

- a) When did Valard first retain Socotec?
- b) When did UCT 2 first retain Socotec?
- c) Did UCT 2 seek opinion from other consultants regarding COVID-19 impact on productivity?
Please explain your answer.

Response:

- a) Please see UCT 2's Response to Staff IR-14 (Exhibit I-01-14).
- b) Please see UCT 2's Response to Staff IR-14 (Exhibit I-01-14).
- c) No.

CCMBC INTEROGATORY- 06

Reference:

1. Exhibit C, Tab 1, Pages 16 and 17, Paragraph 32

Preamble:

"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."

Interrogatory:

- a) The quoted paragraph refers to the OEB cost of debt. Is this the same as the OEB's Prescribed Interest Rate for approved deferral and variance accounts. If the answer is no, please explain why not.
- a) Please file a table showing the amount of each of "certain CCVA capital cost assets" and the timing difference of each.
- b) Were timing differences only due to COVID or were they due to other causes? If the answer is yes, please explain why? If the answer is no, please list all causes of timing differences and the impact of each cause.

Response:

- a) No. The OEB cost of debt refers to the 2021 Cost of Capital Parameters issued by the OEB on November 9, 2020. These rates were approved by the OEB in the EB-2020-0150 Decision and Order for use in determining the UCT 2 revenue requirement. Because all capital assets impacted by COVID costs were deemed to be in-service and used and useful as of March 31, 2022, the revenue requirement associated with these assets was calculated using the OEB cost of debt. Interest was then applied to this revenue requirement using the OEB Prescribed Interest Rate(s) in effect for the period April 2022 to December 2023, the interest amount is \$483,453 as shown in Exhibit C, Tab 1, page 17, Table Ex.C.4.
- a) The second sentence quoted in the Preamble to this Interrogatory is a drafting error and should be deleted as follows: ~~The calculations also take into account timing differences between when certain CCVA capital cost assets were declared in-service.~~ There were no in-service timing differences because all COVID and CCVA assets were deemed to be in-service as of March 31, 2022.
- b) Please see response to subpart (a) above.

CCMBC INTEROGATORY- 07

Reference:

1. Exhibit C, Tab 2, Socotec Report, Page 1

Preamble:

"Socotec was asked by the Owner and Contractor to assist in facilitating discussions regarding COVID-19 impacts on construction projects."

Interrogatory:

- a) In the quoted sentence, please identify the "Owner" and the "Contractor".
- b) When did these parties ask for assistance from Socotec, and did the ask jointly or did one party ask first?
- c) Please file the letter of engagement or any similar dated document that sets out the terms of reference and the scope of the assistance to be provided by Socotec.

Response:

- a) UCT 2 is the Owner and Valard is the Contractor.
- b) Please see UCT 2's Response to Staff IR-14 (Exhibit I-01-14).
- c) Please see UCT 2's Response to Staff IR-14 (Exhibit I-01-14).

CCMBC INTEROGATORY - 08

Reference:

1. Exhibit C, Tab 2, Socotec Report, Page 2

Preamble:

"The impacts associated with the COVID-19 Pandemic caused, among other challenges, significant increases in Project labour, material, and equipment costs. These increases resulted from a variety of combined factors including: scheduling changes, construction timing delays, and worker inefficiencies arising from new and unprecedented work environments. All of these factors dramatically increased Project construction costs which would not have been incurred, but for the COVID-19 Pandemic."

Interrogatory:

Did Socotec assume that all scheduling changes, construction timing delays, and worker inefficiencies were due to COVID-19 Pandemic? If the answer is yes, please explain why. If the answer is no, please list other factors that caused scheduling changes, construction timing delays, and worker inefficiencies and provide the cost impact of each one.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's *Practice Direction on Confidential Filings*.

No. Socotec recognized that other impacts occurred during the Project. These impacts included disruptions that Valard generally tracked separately and Socotec specifically quantified discretely, some of which are identified in the Application (e.g. impacts at Kama Cliffs and White Lake Narrows and the 2021 wildfires). Other cost impacts were identified in subcontracted work (e.g. right-of-way and foundation work). The separately tracked costs associated with these impacts, including added subcontractor costs, were excluded from the application of the 24.7% factor.

There were also significant impacts that occurred in the first seven months of the work and prior to the onset of COVID (late and out-of-sequence permit approvals and tower steel deliveries). The analysis did not apply the 24.7% factor to any hours prior to March 2020, and the associated delay related costs quantified by Socotec separately are excluded from the OEB submission.

Socotec also found some follow-on impacts in the structure work associated with the late and out-of-sequence steel deliveries. Because these follow-on impacts occurred during COVID, Socotec completed a separate analysis to discretely quantify those costs. Summarized below are the results of this analysis:

- Valard originally budgeted [REDACTED] labour hours to complete all structure work.

- Valard expended 971,061 labour hours to complete the work, resulting in an overrun of [REDACTED] hours.
- The application of the 24.7% factor accounts for 216,965 hours of the loss in structure work, leaving a remaining structure work overrun of 160,658 hours.
- Socotec's analysis of the follow-on impacts separately quantified a labour hour increase of 138,263 hours associated with the late and out-of-sequence steel deliveries, leaving 22,395 hours unallocated (i.e. not requested).

Neither the separately quantified hours associated with the late and out-of-sequence steel deliveries, nor the hours that remained unallocated, are included in the amounts put forth in this Application.

As outlined in UCT 2's response to AMPCO IR 03 (Exhibit I-02-03), the Contractor's overall losses on the project totaled more than \$255 million. The Contractor initially claimed \$238M of its overall loss. The following table summarizes the Contractor claim amounts quantified by Socotec (on behalf of the Contractor) shortly after the Project reached substantial completion (April 2022).

Description	Amount Quantified	Included in OEB Submission	Excluded from OEB Submission	Pricing Methodology
Initial Work Start Delay	\$3,079,246		\$3,079,246	Quantified Separately
Other Delay Costs	\$29,650,968		\$29,650,968	Quantified Separately
Delay Escalation Costs	\$4,380,755		\$4,380,755	Quantified Separately
COVID-19 Mitigation & Productivity Loss	\$89,014,103	\$89,014,103		Quantified Separately
COVID Direct Costs	\$21,603,200	\$21,586,103	\$17,097	Quantified Separately
Right-of-Way Work	\$21,900,470	\$10,133,021	\$11,767,449	Quantified Separately
Forest Fire	\$20,903,210	\$20,809,264	\$93,946	Tracked Separately
Late and Out-of-Sequence Steel Deliveries	\$18,796,546		\$18,796,546	Quantified Separately
Kama Cliffs Work	\$12,069,736	\$12,069,736		Tracked Separately
Water Crossing Work	\$8,378,493		\$8,378,493	Quantified Separately
Foundation Work	\$4,453,581		\$4,453,581	Quantified Separately
White Lake Narrows	\$3,961,420	\$3,961,420	\$0	Tracked Separately
Totals	\$238,191,728	\$157,573,647	\$80,618,081	

CCMBC INTEROGATORY- 09

Reference:

1. Exhibit C, Tab 2, Socotec Report, Pages 5 and 6

Preamble:

"Notably, several of the available industry studies did not segregate mitigation efforts and the productivity loss, but rather offered an overall assessment of the losses incurred. Accordingly, we calculated the overall loss of 24.7% based on the average of all the industry studies that provided specific percentage loss assessments."

Interrogatory:

- a) Please explain the meaning of the word "available" in the quoted text. For example, does it mean publicly available studies?
- b) Are there other studies available at the present time that were not available when the report was prepared? If the answer is yes, please provide references to all currently available studies. If the answer is no, please explain why not.
- c) Please explain the meaning of the following terms listed in the column with the title "Types of Losses Addressed" on Page 6: Mitigation, Productivity Loss, and Overall Loss.
- d) Are Mitigation and Productivity Loss additive to arrive at Overall Loss?
- e) Please explain why the OEB should rely on the findings of these studies.
- f) Was Socotec, or anyone associated with Socotec, involved in any of the studies listed on Page 6? If the answer is yes, please identify the study and explain the scope of involvement.
- g) For certain studies, the quantities listed in the "Low" and "High" column are identical. Please confirm that these studies did not actually have a Low and High category and that Socotec created these categories for them.

Response:

- a) Yes, Socotec's use of "available" means publicly available and relevant studies that Socotec was able to find at the time of preparing its analysis, approximately one year into the pandemic.
- b) Please see subpart (a) of this response. Socotec has not conducted research to locate additional studies available at the present time. Instead, Socotec has conducted further analysis based on the industry standard measure mile comparison, which provides reliable results.
- c) As noted in the paragraph directly above the table on page 6 of Exhibit C Tab 2, if the applicable cell in the column identifies "Overall Loss", this means that the study provided an

overall assessment percentage. If the applicable cell in the column identifies "Mitigation and Productivity Loss," this means that the study segregated the percentage into mitigation efforts and productivity loss.

- d) Yes, in the studies that segregate the Mitigation and Productivity loss, the overall impact in that study is additive of the two values.
- e) As Socotec explained in its report, it calculated the 24.7% PIF based on an average of the available industry studies rather than selectively isolating a specific study. When the 24.7% factor was applied during Socotec's analysis, the Project cost records at the time validated that the Contractor (Valard) was experiencing losses exceeding the 24.7% PIF Factor. Additionally, the Measured Mile study presented in the Socotec report calculates losses of 45.8%. See pages 49 of 61 of the Socotec report of Exhibit C Tab 2.
- f) Socotec was not involved in any of the studies listed on page 6 of Exhibit C Tab 2.
- g) Where the "Low" and "High" are identical, that is because the study applicable to that column/row did not provide a range of 'High' and 'Low', which required Socotec to apply the same value in both categories.

CCMBC INTEROGATORY-10

Reference:

Exhibit C, Tab 2, Page 58, Section 4.2.1, "Quantification of Labour Hours Incurred after the Onset of Covid"

Preamble:

"The first step in our analysis was to utilize the Contractor's detailed job cost accounting data to quantify its actual work-hour expenditures after the onset of COVID (March 2020 through February 2022). These hours are quantified by work type (field overhead and support staff, right of way, foundation, structure and stringing work). In total, the Contractor incurred 2,244,906 of actual labour hours from March 2020 through Substantial Completion of the work. The contractor incurred actual labour costs associated with these hours totaling \$165,731,014."

Interrogatory:

- a) Was there an independent audit of actual work hours claimed by the Contractor? If the answer is no, please explain why not. If the answer is yes, please identify the auditor and file a copy of the audit.
- b) Did the Contractor employ any sub-contractors? If the answer is yes, please identify the sub-contractors, and file a list of work hours by sub-contractor and the Contractor.
- c) Please file a table that breaks down the 2,244,906 hours into hours by work type: field overhead and support staff, right of way, foundation, structure, and stringing work.
- d) Did Socotec assume that each work type was equally affected by COVID-19? Please explain your answer.
- e) Did Socotec assume that COVID-19 equally affected construction activities in each month from March 2020 to February 2022? Please explain your answer.
- f) Please file a spreadsheet that supports the calculation of the \$165,731,014 total labour cost.

Response:

- a) An independent audit of the actual hours charged to the Project by the Contractor was not conducted. NextEra's internal engineering construction procurement and business management personnel were used to review the costs claimed by Valard and the underlying documents used to support such claims. NextEra's business practices rely extensively on internal resources to perform these functions and external resourcing was not considered necessary in the circumstances. The Contractor provided detailed job cost accounting data that allowed UCT 2 and Socotec to review costs. Because the resolution achieved between UCT 2 and Valard – as memorialized in Change Order Nos. 6 and 7 – excluded nearly \$95 million of Valard's total incurred costs, UCT 2 was satisfied with its and Socotec's internal

reviews of the data and did not believe that the added cost of an independent audit was warranted. As explained in the Application (Exhibit E, Tab 1, pgs. 1-13) and in UCT 2's Interrogatory Response Staff IR-08(c-f) (Exhibit I-01-08(c-f)), the Applied-For Costs have been extensively reviewed by UCT 2 to verify their prudence and reasonableness. In addition, NextBridge Infrastructure, LP's financial statements are audited annually by Deloitte LLP. In their opinion, the Partnership's financial statements were presented fairly in all material respects and in accordance with accounting principles generally accepted in the United States of America.

- b) Yes, the Contractor employed subcontractors. Exhibit I-3-10 Attachment 1 ("Subcontractor Cost Data.xlsx") presents an accounting of the Contractor's actual payments made to subcontractors. The Attachment identifies 163 individual subcontractors and job cost accounting charges totaling \$304,327,320. Detailed information regarding individual subcontractor labour hour data is not available.
- c) Please see UCT 2's response to Staff IR-14(g) (Exhibit I-01-14 Attachment 6.8) for a spreadsheet supporting all COVID-19 impact costs. The worksheet tabs labeled "All Labour Detail" and "All Labour Hours Monthly" provide detailed and monthly summary tables that break down the 2,244,906 hours into hours by work type.
- d) Yes, Socotec assumed that each work type was equally affected by COVID-19. Socotec did not find any indication that the COVID-19 impacts varied materially based on work type and/or worker classification.

Approximately one-third of the hours subject to the application of the loss factor are for support-type workers (e.g., management and supervision, camp personnel, and material management staff). These workers were impacted both directly and indirectly by the pandemic. First, the support workers were subject to the same COVID safety protocols as the balance of the workers on the site and were no less susceptible to contracting COVID-19. Second, the slow-down in productivity of the field craft workers indirectly correlates to the support staff because the support workers must be present to support the field workers regardless of the time required to complete the work.

- e) No, the impacts varied over time, as did the severity of the pandemic (i.e., the multiple COVID-19 waves that occurred first with the onset of the pandemic, and then increased in the winter months of 2021 and 2022 with new variants). The 24.7% COVID-19 loss factor represents the overall average impact based on the industry studies/reports cited in the Socotec report, as well as Socotec's own observations of the reporting by the Contractor. The measured mile analysis completed by Socotec after the execution and payment of Change Order Nos. 6 and 7 demonstrates that the overall average assessment of 24.7% used to quantify the cost of productivity losses on the Project was not only a reasonable assessment, but materially undervalued the impacts experienced on the Project.
- f) The worksheet tab labeled "All Labour Costs Monthly" in Attachment 7.8 in response to Staff IR-14(g) (Exhibit I-01-14 Attachment 6.8) supports the \$165,731,014 in total labour cost by summing the total labour dollars expended from March 2020 (row 27) to March 2022 (row

51). Detailed transactional labour data in support of the monthly labour cost totals are included on the worksheet tab labeled "All Labour Detail".

CCMBC INTEROGATORY- 11

Reference:

1. Exhibit C, Tab 2, Page 58, Section 4.4.2 Quantification of Added Labour Costs

Preamble:

"Multiplying the 24.7% PIF times the total work-hours quantified in the period results in labour impact hours totaling 554,492 (2,244,906 total hours expended x 24.7% = 554,492). Our analysis then determined the actual average labour hour rate for each of the work types referenced above and calculated the costs associated with the labour impact hours totaling \$40,935,560. Using this approach, the Contractor spent \$165,731,014 on labour during the period, which includes \$40,935,560 (24.7%) of added labour costs associated with the impacts of COVID-19."

Interrogatory:

- a) How Socotec determine the actual average labour rate for each type of work? Please show all calculations and assumptions.
- b) Does the average labour rate gross or net of withholding tax, Canada Pension Plan and Employment Insurance? Please explain your answer.
- c) Please file a spreadsheet that supports the calculation of the \$40,935,560 total labour COVID-19 impact cost.

Response:

- a) Actual average labour rates were determined by individual work type (e.g., foundation work, structure work, field overheads). Specifically, the analysis quantified all labour costs for each work type and divided those costs by all labour hours for the same work type. For example, the Contractor's job cost accounting data indicated that for the period of March 2020 to March 2022, structure work labour costs totaled \$63,074,315, and that the corresponding structure work labour hours totaled 878,399. From these two data points an average actual rate of \$71.81 was derived ($\$63,074,315 \div 878,399 = \71.81).
- b) Actual average labour rates include gross pay, payroll burdens, and statutory government matching contributions (e.g., Canada Pension Plan and Employment Insurance).
- c) Please see Staff IR-14 (Exhibit I-01-14, Attachment 6.8) for COVID-19 impact costs. Labour calculations are found on the worksheet tabs labeled "All Labour Detail", "All Labour Costs Monthly", "All Labour Hours Monthly", "COVID Impact Costs at 24.7," and "COVID Impact Labour Costs."

CCMBC INTEROGATORY- 12

Reference:

1. Exhibit C, Tab 2, Pages 58 and 59, Section 4.2.3 Quantification of Added Equipment Costs.

Preamble:

"Accordingly, our analysis determined the actual average equipment cost per labour work-hour and calculated the costs associated with the lost productive equipment time at a total of \$26,249,568."

Interrogatory:

- a) Please file a table listing all equipment employed. For each piece of equipment, please indicate if it is rented or owned by the Contractor, and the hourly rate charged.
- b) Was the operation of any piece of equipment affected by the weather?
- c) Was there an independent audit of the hours charged to UCT 2 by the Contractor for each piece of equipment? If the answer is no, please explain why not.

Response:

This Response contains redactions due to the confidential and commercially sensitive nature of the information. UCT 2 will be seeking to maintain these redactions in accordance with the Board's *Practice Direction on Confidential Filings*.

- a) The Contractor's equipment was generally owned by the Contractor. While there were some third-party equipment rentals, the Contractor's accounting data does not allow for a segregation of third-party rental costs. Attachment 1 (Exhibit I-03-12 Attachment 1) to this response includes a spreadsheet that lists the Contractor's company-owned equipment costs by individual equipment units. In most cases, the accounting data provides units (hours charged) and costs charged. Unit rates are not included in the accounting data but have been calculated in the spreadsheet. The spreadsheet contains 1,915 individual equipment units with job cost accounting charges totaling [REDACTED].
- b) Yes, there were instances when weather impacted the operation of equipment. Generally, this would be true for any transmission line project and is expected to be contemplated in the Contractor's budget pricing. The Contractor has extensive work experience on similar projects throughout Canada. Its original bid estimate production rates (and associated labour and equipment costs) are based on this experience and include costs associated with typical weather conditions.

Additionally, the Contractor's equipment cost overruns far exceed what is quantified for the COVID-related impacts. The Contractor originally budgeted [REDACTED] for equipment usage

on the Project. The Contractor's job cost accounting data indicates actual equipment costs totaling \$110.5 million. The equipment costs that were quantified in the COVID impact cost calculation total [REDACTED] leaving more than \$30 million in equipment cost overruns not allocated to COVID.

c) Please see UCT 2's Response to CCMBC IR-10(a) (Exhibit I-03-10)

CCMBC INTEROGATORY- 13

Reference:

1. Exhibit C, Tab 2, Page 59, Section 4.2.4 Quantification of Added Travel, LOA, and Camp Costs

Preamble:

"Accordingly, our analysis determined the actual average labour hours rate for travel, LOA, and camp costs and calculated the costs associated with the lost production time at a total of \$7,963,967."

Interrogatory:

- a) Was the entire workforce accommodated in camps during the entire project or were some workers living elsewhere? Please file a table showing the number of people living in camps by month and living out by month.
- b) Were workers not accommodated in camps paid a living allowance? If the answer is yes, what was total amount paid and was any included in the \$7,963,967 figure quoted in the preamble?
- c) Were the camps owned and operated by the Contractor or by a sub-contractor?
- d) What facilities were used for accommodation in camps? Please describe the equipment used such as accommodation trailers, food service trailers, shower facilities, lunchroom facilities etc.

Response:

- a) Accommodations for workers varied throughout the course of the Project. Many workers were accommodated in the Contractor's camps while others were paid a living out allowance ("LOA") or were local hires. Regarding the requested table, neither UCT 2 nor Socotec is in possession of the data necessary to analyze and determine the number of workers living in and out of camps by month. Socotec does have labour data that contains worker LOA payment data. This information is provided in the spreadsheet Attachment 1 to this response (Exhibit I-03-13 Attachment 1), and subtotals for each month are shown.
- b) Workers not accommodated in camps were generally paid LOA. The exception to this would be local hires who were working near their residence. According to the Contractor's labour data (see Exhibit I-03-13, Attachment 1 to this response), a total of \$4,273,109 was paid for LOA. For purposes of calculating the \$7,963,967 figure referenced, Socotec included \$3,648,678 of LOA expenses in its base calculation.

- c) It is Socotec's understanding that the camps were owned by the Contractor and that the camp operations were a combined effort by Contractor employees and third-party vendors (i.e., catering and cleaning service subcontractors).
- d) Facilities in the camps generally included those required to provide for the basic needs of the workers, including living and sleeping quarters, dining facilities, administrative offices, medical facilities, recreational areas, and parking areas.

CCMBC INTEROGATORY- 14

Reference:

1. Exhibit D, Tab 1, Kama Cliffs Conservation Reserve, Page 13, Paragraph 23

Preamble:

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."

Interrogatory:

- a) Please confirm that Upper Canada Transmission, Inc., operating as NextBridge Infrastructure in its EB-2011-0140 Application for Designation to Develop the East-West Tie Line evidence dated January 4, 2013, contemplated the use of helicopters in construction.
- b) Please confirm that Upper Canada Transmission, Inc., operating as NextBridge Infrastructure proposed its use of "innovative, lower-cost Guyed-Y tower structures" because of its ease of construction using helicopters.
- c) Did UCT2 or Valard meet with MECP prior to July 27 to discuss construction methods in the Kama Cliffs Conservation Reserve? If the answer is yes, please list the dates of all meetings. If the answer is no, please explain why not.
- d) Were construction methods in the Kama Cliffs Conservation Reserve addressed by UCT2 or by its predecessor Upper Canada Transmission, Inc., operating as NextBridge Infrastructure in any prior OEB proceeding? If the answer is yes, please file the excerpts from evidence that dealt with it. If the answer is no, please explain why not?

Response:

- a) Confirmed.
- b) UCT2 confirms that one of the many benefits of the innovative, Guyed-Y tower design that was proposed and executed by UCT2 is that the structures are conducive to helicopter construction. Other benefits associated with this structure design include the significant cost savings that these towers provided to the Project. The structures are light weight, requiring less raw steel to construct, and can be erected via conventional methods significantly faster when compared to a self-supporting tower design. While heli-erection of these structures was discussed in 2013 during the EB-2011-0140 proceeding, the EPC Contractor's execution plan prepared following the Board's Leave to Construct approval (Decision EB 2017-0182) relied on conventional access and construction methods across the Project. Heli-erection is only considered to be efficient when performed in bulk, and when suitable heavy lift helicopters are readily available.

- c) Yes. Prior to July 27, 2020, UCT 2 met with the MECP on September 12, 2019, to discuss construction in the Kama Cliffs region. Upon further review by the MECP (Ontario Parks a division of MECP), Ontario Parks sent a letter identifying their concerns with the proposed road access plan for Kama Cliffs Conservation Reserve. Please see Attachment 1 to this response (Exhibit I-03-14 Attachment 1). Please see Attachment 2 (Exhibit I-01-14 Attachment 2) for details on cost. Attachment 2 is entirely confidential. In accordance with the Board's Practice Direction on Confidential Filings, only a non-confidential summary description of the document has been filed in the public domain.
- d) Yes. The following attachments to this response include past discussions of Project construction methods for challenging terrain – inclusive of the Kama Cliffs region – in prior OEB proceedings. Construction methods are also discussed at length in UCT 2's quarterly progress reports filed with the OEB in EB-2017-0182. These are reproduced in Exhibit I Tab 1 Schedule 52 Attachments A.1 through A.4. Attachments: Ex. I Tab 1 Schedule 52 Attachment A.1-A.4. Please also refer to the Application, Ex. D Tab 1 pages 12-14.
- Attachment 3 to this response is UCT 2's response to Board Interrogatory 15 in EB-2011-0150, which explains the general benefits of using guyed lattice structures to address challenging terrain consistent with other projects (Exhibit I-03-14 Attachment 3).
 - Attachment 4 to this response is UCT 2's response to Staff Interrogatory 27 in EB 2017-0182, which explains the competitive bid process for the General Contractor (Exhibit I-03-14 Attachment 4). NextBridge allowed the bidders the flexibility to propose the most cost-effective plan to build the line. The winning bidder, Valard, proposed a solution using a ground-based access approach and had a better developed plan and less expensive cost than the other bidders. The awarded construction contractor's execution plan resulted in helicopter access savings of approximately \$3 million.

CCMBC INTEROGATORY - 15

Reference:

1. Exhibit E, Tab 2, Scope Change Order No. 1

Preamble:

The definition of "Affiliate" in Section 1.1 of the Agreement is hereby deleted in its entirety and replaced with the following language:

"Affiliate" means, in relation to any Person, any other Person: (i) which directly or indirectly controls, or is controlled by, or is under common control with, such Person; or (ii) which directly or indirectly beneficially owns or holds fifty percent (50%) or more of any class of voting stock or other equity interests of such Person; or (iii) which has fifty percent (50%) or more of any class of voting stock or other equity interests that is directly or indirectly beneficially owned or held by such Person, or (iv) who either holds a general partnership interest in such Person or such Person holds a general partnership interest in the other Person. For purposes of this definition, the word "controls" means possession, directly or indirectly of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or otherwise. It is understood and agreed by the Parties that notwithstanding the definition of "Affiliate," NextEra Energy NextBridge Holdings, ULC, Enbridge Inc., BPC Transmission Trust, Enbridge Transmission Holdings, Inc., Borealis EWT Inc., NextEra Energy UCT Holdings, Inc., Upper Canada Transmission, Inc. and any other limited partner or general partner of Owner (and each of their successors, assigns and/or their affiliates) shall be deemed "Affiliates" for purposes of this Agreement.

Interrogatory:

- a) Please confirm that as an electricity transmitter operating in Ontario, UCT 2 is required to adhere to the OEB Affiliate Relationships Code for Electricity Distributors and Transmitters. ("the ARC").
- b) Please confirm that the definition of Affiliate in the ARC is the same as in the Ontario Business Corporations Act ("the OBCA").
- c) Is the definition of the Affiliate in the quoted Scope Change Order No.1 the same as the definition of Affiliate in the OBCA? Please explain your answer.
- d) Why was it necessary to change the definition of Affiliate?

Response:

- a) Confirmed.
- b) Confirmed.
- c) The definition of "Affiliate" referred to in Scope Change Order No. 1 accurately reflects the wording found in the executed version of the EPC Contract. This wording is the same as used in the *pro forma* EPC Contract filed in the Board's EB 2017-0182 proceeding. Please refer to Exhibit A Tab 1 Page 6 Footnote 6 of the Application.

Similarities or differences between Contract's definition and the definition of that term found in the *Ontario Business Corporations Act* (the "OBCA") is not relevant to the issues in this proceeding and in any event UCT 2 has not conducted any analysis surrounding this topic.

- d) The "Affiliate" definition referred to in Scope Change Order No. 1 was included to reflect a change in the name of one of the originally named entities used in that definition. "NextEra NextBridge Holdings, Inc." was revised to read "NextEra NextBridge Holdings ULC".

CCMBC INTEROGATORY- 16

Reference:

1. Exhibit E, Tab 2, Scope Change Order No.7

Interrogatory:

- a) Please reconcile the amounts shown in Scope Change Order No.7 with the amounts shown in Table Ex.C.1 and explain the reason for the apparent similarity between \$89,014,103 shown in Scope Change Order No.7 and \$89,014,073 in Table Ex.C.1.
- b) Was the \$ 89,014,103 amount calculated by Valard or by Socotec or by some other party?
- c) The date of Scope Change Order No.7 is August 4, 2022, and approved on September 1, 2022, while the Contract Completion Date is listed as October 1, 2021. Please confirm that change orders are normally issued prior to completion of a contract and explain why UCT 2 approved a change order after completion of the contract.

Response:

- a) The amount reported in Table Ex.C.1 includes a typographical error. The amount should match the amount reflected on Scope Change Order No. 7 of \$89,014,103. See Application, Exhibit E, Tab 2. Specifically, the amount included in the row for "15% contractor mark-up and Supercom fees" should be \$13,865,008, not \$13,864,978. The correct table is reproduced below.

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 Consultations and Participation	\$1,023,434
Subtotal	\$22,687,695
Productivity Losses	
• Direct Labor Costs	\$40,935,560
• Equipment Costs	\$26,249,568
• Indirect Labor Costs	\$7,963,967
• 15% contractor mark-up and 3% Supercom Fees	\$13,865,008
Subtotal	\$89,014,103
Total Amount of COVID Costs	\$111,701,798

- b) This amount was calculated by Socotec.
- c) The timing difference between the dates cited in this request may be explained as follows. Change Order Nos. 6 and 7 address the final costs that were negotiated between UCT 2 and Valard. Resolution of these issues occurred immediately before the Change Orders were dated and issued.

Resolution of these Change Orders did not occur in the normal course, namely, prior to the commercial operation date (i.e., March 31, 2022). Under the unique circumstances applicable to the Project, and as reported to the OEB throughout its quarterly reporting and during the EB 2020-0150 proceedings, COVID cost impacts were unknown variables and gave rise to the approval of the variance accounts that are the subject matter of the Application. As referenced in the Application (Exhibit C, Tab 1, Page 8 of 23), "the Project was completed in a highly unpredictable and constantly changing environment with periodic work stoppages, remobilizations, uncontrollable scheduling constraints, and the implementation of new and unparalleled health and safety protocols that were continuously evolving."

The resulting cost impacts to the Project from the pandemic were not known until Valard provided its cost claim. This occurred following the March 31, 2022, in-service timing. UCT 2's assessment of these claims, followed by negotiations and resolution through the Negotiated Outcome, gave rise to the issuance of Change Orders 6 and 7 on the dates noted.