Request IR-1:

Reference:

(a) At page 11, Midgard states it assessed "whether the Project, as proposed, is justified, reasonable, and aligned with regulatory expectations for prudent utility investment". Please explain what Midgard considers to be NSEB "regulatory expectations".

(b) What test or standard did Midgard apply for prudence?

Midgard Response IR-1:

a) Midgard considers NSEB regulatory expectations to be defined by the governing prudency standard established in 2005 NSUARB 27, wherein the Board adopted the Illinois Commerce Commission definition:

> *"prudence is that standard of care which a reasonable person would be expected to exercise under the same circumstances encountered by utility management at the time decisions had to be made….Hindsight is not applied in assessing prudence….A utility's decision is prudent if it was within the range of decisions reasonable persons might have made. ... The prudence standard recognizes that reasonable persons can have honest differences of opinion without one or the other necessarily being imprudent."* [1]

Midgard does not adjudicate prudency. Midgard's analysis is structured to provide the Board with an objective, evidence-based record to facilitate Board decision making and its adjudication of prudency.

b) Please refer to Midgard's response for Part (a).

[1] NSEB Matter No. M10632, Decision, Section 2.0, p. 6, para. [11]. Link.

Request IR-2:

Reference: **It appears that Midgard assessed "Overall Project Prudence & Ratepayer Interest" under three categories: Project Execution Strategy (page 21), Project Controls & Governance (page 27) and Assessment of Cost Reasonableness (page 36), collectively summarized at pages 38-39.**

Of the findings, please identify which, if any are not aligned with regulatory expectations for prudent utility investment.

Midgard Response IR-2:

As noted in Midgard's response to IG IR-1(a), Midgard does not adjudicate alignment with regulatory expectations. That determination rests with the Board. Midgard's findings are provided to support that assessment.

The following findings present evidentiary gaps relevant to the Board's prudency review:

1. No formal make-versus-buy analysis was conducted to justify reliance on internal resources;[2]
2. The Phase 6 cost estimate and 10% contingency are judgment-based and lack empirical calibration from historical Phase data;[3] and
3. The escalation in labour hours is unsubstantiated by task-level documentation.[4]

[2] Exhibit N-3, Section 4.3, p 27, l. 5-10.
[3] Exhibit N-3, Section 4.3, p 27, l. 11-16.
[4] Exhibit N-3, Section 5.4, p. 36, l. 5-11.

Request IR-3:

Reference: **Page 39, Midgard Commentary on Report Section 5.1.**

"While NSPI identifies valid complexity drivers, the specific magnitude of labour increases remains unsubstantiated. A 33% variance exists between NSPI's filed estimate and an independent allocation derived from Phase 6 technical documents. This variance is driven by unresolved disputes regarding installation duration and the absence of task-level traceability. Midgard recommends a 30% reduction in labour hours to reflect reasonable productivity levels supported by technical documentation."

(a) Please confirm that applying the recommended 30% reduction in labour hours would reduce the prudent capital cost for the project. If not, please explain.

(b) With reference to the revised estimate from NSPI totaling $5,058,964 and line-item build up at pages 17-18, please confirm the labour subtotal used for dollar translation and identify included/excluded lines for adjustment.

(c) Please provide a full recalculated total, adjusting for the 30% reduction in labour hours with updated overhead, contingency and AFUDC if applicable.

Midgard Response IR-3:

a) Midgard confirms that a 30% reduction in labour hours will reduce the total capital cost of the Project. As stated in Section 5.1.1 at page 32 of its Evidence Report:

> *"Considering the lack of comparative data provided in evidence and the material variances identified, Midgard recommends a reduction of 30% in labour hours to align the estimate with a technically supportable baseline that reflects reasonable productivity."* [5]

The question uses the term "prudent capital cost." As noted in Midgard's response to IG IR-1(a), the determination of prudency rests with the Board. Midgard's recommendation is structured to inform Board decision making.

b) The applicable labour subtotal from NSPI's filed budget is $1,411,802, comprising Regular Labour ($1,016,722), Term Labour ($273,420), and Overtime Labour ($121,660). Non-labour line items (i.e., Contracts, Travel, Meals, and Materials) are excluded.[6]

c) Please refer to Midgard's response to CA IR-4(a)(i).

[5] Exhibit N-3, Section 5.1.1, p. 32, l. 17-19.
[6] Exhibit N-2, NSPI Response to I-14, Attachment 1.