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Andrew Skalski
Director – Major Projects & Partnerships
Regulatory Affairs

BY COURIER

March 17, 2011

Mr. Neil McKay
Manager, Licensing and Facilities
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Mr. McKay:

EB-2006-0242 – Hydro One Networks' Leave to Construct Southern Georgian Bay Transmission Line Reinforcement Project – Post Construction Financial Report

The Ontario Energy Board's Conditions of Approval, Section 3.3 requires that Hydro One Networks provide a Post Construction Financial Report. Attached are five copies of the report.

Hydro One notes that the final monitoring report for this project is still outstanding and will be forwarded to the Board as soon as possible.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON FOR ANDREW SKALSKI

Andrew Skalski

Attached

POST CONSTRUCTION FINANCIAL REPORT
Southern Georgian Bay Transmission Reinforcement Project
EB-2006-0242

1.0 Introduction

Hydro One Networks Inc. was granted leave to construct facilities associated with the Southern Georgian Bay Transmission Reinforcement Project for the following purposes: (i) to provide another high voltage supply point in the Southern Georgian Bay area to ensure availability of supply; (ii) to increase reliability of supply by adding a new 230 kV line from Stayner TS to Essa TS allowing Hydro One to supply their own local load without relying on long distribution feeders; and (iii) to improve power quality in the area and allow Stayner TS and Meaford TS to supply their own local load.

2.0 Background

- Hydro One Networks Inc. filed an Application, dated October 31, 2006, with the Ontario Energy Board under section 92 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the '*Act*'), seeking an Order of the Board granting leave to construct electricity transmission reinforcement facilities in the Townships of Clearview, Springwater and Essa. The Application was assigned Board File No. EB-2006-0242.
- On January 26, 2007, Hydro One Networks Inc. was granted leave to construct electricity transmission reinforcement facilities in the Townships of Clearview, Springwater and Essa, subject to the Conditions of Approval attached to the Order.
- In May 2007, Hydro One commenced construction activities on this project.
- On October 30, 2008, the new transmission line between Essa TS and Stayner TS was substantially complete and declared ready for service. The line was not energized at 230 kV until 2009, when it was required to first supply Stayner TS with a 230 kV supply, during the staging of construction & commissioning activities at Stayner TS.
- On July 17, 2009, all new facilities at Stayner TS were completed and placed in-service.
- Removal of the temporary by-pass line, construction facilities, access roads and site restoration was completed in December 2009.
- Revisions to drawings & "As Constructed" documentation was completed in 2010.

3.0 Constructed Facilities

The subject project scope included:

Line Work:

1. Replace the existing S2E single circuit 115 kV transmission line extending from just west of Essa TS (Springwater Township) to Stayner TS (Clearview Township) with approximately 27 km of double circuit 230 kV line; and
2. Replace the existing 230 kV double circuit towers with four circuit towers on the existing right-of-way exiting west of Essa TS.

Station Work:

1. Convert Stayner TS from 115 kV to 230 kV:
    - A 230/115 kV autotransformer at Stayner TS was required to maintain the electrical connection to Meaford TS.
    - Replace existing step-down transformers with higher capacity ones to serve local load growth.
    - New facilities were located on existing station property.

2. Expand 230 kV facilities at Essa TS:
    - Add new equipment within existing station property to accommodate the new 230 kV line.

3. Upgrades at Owen Sound TS:
    - Modify existing line protections for 115 kV line, due to changes at Stayner TS.

4.0 Schedule Report

	Planned In-Service	Actual Ready for Service Date /Completion
Essa TS x Stayner TS (Line work)	February 2009	30 October 2008
Stayner TS (Station work)	April 2009	17 July 2009
Essa TS (Station work)	April 2009	30 April 2009
Owen Sound TS (Station work)	*	15 May 2009
TOTAL PROJECT IN-SERVICE	**April 2009**	**17 July 2009**

* *Work at Owen Sound TS was unplanned. See section 7.0 for details.*

5.0 Schedule Variance

The project met the first major corporate milestone by mobilizing construction to site in May 2007.

Proposed Work at Stayner TS was completed later than planned due to a delay in delivery of all three (3) transformers to be installed at Stayner TS. In February 2008, Hydro One was advised of a three to four month delay in delivery of the three transformers required for Stayner TS. Hydro One met with the Vendor to develop a recovery plan, however only marginal improvements could be made. Therefore, the schedule had to be deferred, thus deferring the Project In-Service date.

Proposed Line Work was substantially completed and ready for service a few months earlier than planned, so that temporary construction roads could be removed through some agricultural locations in late 2008, thus minimizing impact on these agricultural operations in 2009.

Due to the delay to in-service new facilities at Stayner TS, the 115 kV temporary by-pass line had to remain in-service approximately three months longer than planned to maintain a 115 kV supply to Stayner TS. The removal of the temporary by-pass line and access roads started in late July 2009 and was completed by December 2009 (as opposed to initially planned September 2009).

6.0 Cost Report

Table 1 – Total Project Costs (Lines and Stations)
($000s)

	Estimated Costs	Actual Costs	Variance
Preliminary Engineering & Studies	$ 1,000.0	$ 1,267.8	$ 267.8
Stations & Telecommunications	43,000.0	49,513.1	6,513.1
Transmission Line Facilities	48,000.0	42,957.9	(5,042.1)
Total	**$92,000.0**	**$93,738.8**	**$1,738.8**
Percentage Variance			**1.9%**

Table 2 – Cost of Station Work
($000s)

	Estimated Costs	Actual Costs	Variance
Project Management	$ 400.0	$ 311.1	($ 88.9)
Engineering	2,500.0	4,058.8	1,558.8
Procurement	18,750.0	19,112.2	362.2
Construction	9,250.0	14,165.1	4,915.1
Commissioning	1,250.0	3,381.8	2,131.8
Contingencies	3,600.0	-	(3,600.0)
Sub-Total	**35,750.0**	**41,029.1**	**5,279.1**
Overhead	4,750.0	5,912.6	1,162.6
Interest (AFUDC)	2,500.0	2,571.4	71.4
Total	**$43,000.0**	**$49,513.1**	**$6,513.1**
Percentage Variance			**15.1%**

Table 3 – Cost of Line Work
($000s)

	Estimated Costs	Actual Costs	Variance
Project Management	$ 400.0	$ 1,268.9	$ 868.9
Engineering	1,000.0	1,659.0	659.0
Procurement	20,000.0	12,927.0	(7,073.0)
Construction	15,500.0	20,155.9	4,655.9
Commissioning	100.0	22.7	(77.3)
Contingencies	3,000.0	-	(3,000.0)
Sub-Total	**40,000.0**	**36,033.5**	**(3,966.5)**
Overhead	5,250.0	5,025.2	(224.8)
Interest (AFUDC)	2,750.0	1,899.2	(850.8)
Total	**$48,000.0**	**$42,957.9**	**($5,042.1)**
Percentage Variance			**(10.5%)**

7.0 Cost Variance

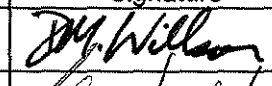
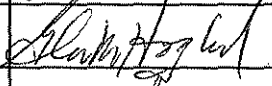
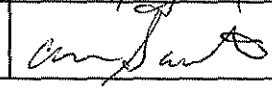
The initial Southern Georgian Bay Transmission Reinforcement project was granted leave to construct based on a project estimated cost of $92 M, and final costs were $93.7 M (variance of +1.9%).

Cost variance on Station work (increase of $6.5M or 15%) is attributable to:

- Increased engineering, procurement & construction costs (approx. $1.5M) at Stayner TS, due to the addition of acoustical enclosures around two of the three transformers, required as per Noise Certificate of Approval filed with Ministry of Environment, which had not been anticipated in the estimate.
- Increased engineering and construction costs (approx. $1.5M) at Stayner TS, as the extent of contaminated soil to be removed from site was greater than anticipated.
- Increased engineering, procurement, construction and commissioning costs (approx. $0.9M), as it was discovered during detailed engineering that protection modifications at Owen Sound TS would also be required.
- Increased construction costs (approx. $0.9M) at Stayner TS, due to presence of underground seam of water running through the site, which significantly hampered (increased costs) installation of some foundations on site.

Cost variance on Line work (decrease of $5.0M or 10%) is attributable to:

- The procurement portion of the estimate included approx $4M of aggregate, filter fabric and culverts used for temporary road construction. As these facilities were not permanent facilities, the actual costs were reported as sundries under the construction portion of costs. This resulted in a reduction to procurement costs (approx $4M) and an increase to construction costs (approx. $4M).
- Project management (real estate) costs were increased (approx. $0.6M), as Hydro One was obligated to purchase two residences in accordance with the land acquisition approvals obtained in the mid 1990's.
- Procurement costs for the planned augered type foundations were less than planned (approx $1M).
- Poor soil conditions required some tower foundation designs to be changed from augered type foundations to pad & pier or piled type foundations. These changes significantly reduced foundation procurement costs (approx $0.5M), while increasing construction labour & equipment costs (approx $1M).
- The contingencies ($3M) were not required as there were no significant unanticipated costs.

	Signature	Name	Title	Date
Prepared by:		Dave Willson	Project Manager, Project Management	11 March 2011.
Submitted by:		Glen Hoglund	Manager, Project Management	// March 2011.
Approved by:		Charlie Sauter	Director, Project Management	// March 2011.