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BY COURIER

September 15, 2015

Mr. David Richmond
Manager, Facilities and Infrastructure
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
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Dear Mr. Richmond:

EB-2009-0425 - Hydro One Networks' Section 92 Toronto Midtown Transmission Reinforcement Project – Project Status Update

On June 17, 2010 the Ontario Energy Board approved Hydro One Networks Inc.'s ("Hydro One's") Leave to Construct Application for the Toronto Midtown Transmission Reinforcement Project. Appendix A, Section 1.4 of that Decision and Order requires that Hydro One advise the Board of any material change in the project. The approved section 92 application had an in-service date of April 2013 and total project cost of \$105 million, jointly funded by Hydro One Transmission (60%) and Toronto Hydro Electric System Limited ("Toronto Hydro") (40%).

On July 21, 2015 Hydro One advised the Board that the project's in-service date had been delayed and was then expected to be December 2015. The reasons for the delay were challenges with construction of the main tunnel shaft at Mt. Pleasant Road, the learning curve with the use of new technology (ground freeze for excavation of shafts), and outage constraints during the summer months.

Hydro One is advising the Board that the in-service date has been further delayed to December 2016 and that the current estimated total project cost is \$123 million. Hydro One has continued to have challenges with the construction of the tunnel from Bayview Junction to Birch Junction. Due to the location and ground conditions this tunnel is the deepest and longest of its type in Canada at approximately 2.3 km in length, with one of the access shafts being 75m in depth. There is added complexity to this project due to its geographical location in a densely populated urban area. The initial expectation was that the tunnel would be completed within 25 months of the June 2011 commencement date. The tunnel construction was completed in July 2015. Contractor delays due to complications with equipment and construction methodologies, the

requirement by the cable manufacturer for tunnel ventilation which also requires a new ventilation building (not included in the initial project's scope), the requirement of a Partial Discharge system (a cable health monitoring system to provide a warning for potential failure), increased project coordination and site monitoring costs, together with the associated additional interest and overhead costs, have led to the in-service delay and higher project costs.

The increase in cost is not expected to impact the capital contribution required from Toronto Hydro. Toronto Hydro has been updated on the current status of this project, and on progress status throughout the project. Outstanding work to complete the Toronto Midtown Project includes cable installation in the tunnel, construction of the ventilation building and the Bridgman TS station reconfiguration.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson