

**Hydro One Networks Inc.**

7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5393  
Fax: (416) 345-6833  
Joanne.Richardson@HydroOne.com



**Joanne Richardson**

Director – Major Projects and Partnerships  
Regulatory Affairs

BY COURIER

March 18, 2019

Ms. Nancy Marconi  
Manager, Supply and Infrastructure Applications  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**EB-2018-0098 – Hydro One Networks Inc.’s Section 92 - Kapuskasing Area Reinforcement Project – Project Update**

---

In accordance with the Decision and Order in the aforementioned proceeding, Hydro One Networks Inc. (“Hydro One”) is writing to inform the OEB of a change in the in-service date and cost of the Kapuskasing Area Reinforcement Project (“KAR Project” or “the Project”).

As documented in Exhibit B, Tab 3, Schedule 1 of the prefiled evidence, the station cost component of the KAR Project was in the budgetary estimating phase of a project lifecycle. Since the leave to construct approval of the Project, detailed estimating and field verification has unearthed the need for increased scope of work to accommodate the new reactive facilities beyond what would normally be expected in a project of this scale.

Site specific conditions led to increased scope in the following areas:

- Relocation of the existing low voltage capacitor bank
- Extension of the control building
- Increased grounding required
- Increased cable trench / civil work

Hydro One has confirmed the design has not been overbuilt nor does it accommodate work outside of the direct scope documented in the IESO need evidence for the leave to construct application provided at Exhibit B, Tab 3, Schedule 1, Attachment 1 of the Application.

As a result of the increased station scope, the overall project cost estimate, provided at Exhibit B, Tab 7, Schedule 1 of the prefiled evidence, of approximately \$21.07M (\$15.07M in lines costs and \$6M in station costs) has increased. The new estimate to complete the project is

approximately \$32.1M (\$14.8M in lines costs and \$17.3M in station costs). The breakdown of this cost, in a manner analogous to that originally provided in Exhibit B, Tab 7, Schedule 1 of the prefilled evidence is provided as Attachment 1 of this correspondence. Additionally, as a result of the increased scope, the schedule for the Project originally provided in Exhibit B, Tab 11, Schedule 1, has also been revised. The updated schedule is provided as Attachment 2 of this correspondence and results in a five month delay in the in-service of the H9K line.

Hydro One has circled back with the IESO to confirm that the installation of a capacitor bank and reactor remains the preferred solution and, as Hydro One understands, the IESO maintains this position.

If you have any further questions or concerns, please contact Pasquale Catalano via email at [regulatory@Hydroone.com](mailto:regulatory@Hydroone.com) or by phone at 416-345-5405.

An electronic copy of this correspondence has been filed through the Ontario Energy Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

Attach.

Attachment 1  
**Table 1: Project Cost**

	<b>Estimated Cost</b>
	<b>(\$000's)</b>
Materials	3,059
Labour	5,389
Equipment Rental & Contractor Costs	3,400
Sundry	400
Contingencies	700
Overhead <sup>1</sup>	1,534
Allowance for Funds Used During Construction <sup>2</sup>	334
<b>Total Line Work</b>	<b>\$14,816</b>
Materials	2,962
Labour	5,718
Equipment Rental & Contractor Costs	4,208
Sundry	450
Contingencies	1,498
Overhead <sup>3</sup>	1,725
Allowance for Funds Used During Construction <sup>4</sup>	783
<b>Total Station Work</b>	<b>\$17,344</b>
<b>TOTAL PROJECT WORK</b>	<b>\$32,160</b>

---

<sup>1</sup> Overhead costs allocated to the project are for corporate services costs. These costs are charged to capital projects through a standard overhead capitalization rate. As such they are considered "Indirect Overheads". Hydro One does not allocate any project activity to "Direct Overheads" but rather charges all other costs directly to the project.

<sup>2</sup> Capitalized interest (or AFUDC) is calculated using the Board's approved interest rate methodology (EB-2006-0117) to the projects' forecast monthly cash flow and carrying forward closing balance from the preceding month.

<sup>3</sup> Overhead costs allocated to the project are for corporate services costs. These costs are charged to capital projects through a standard overhead capitalization rate. As such they are considered "Indirect Overheads". Hydro One does not allocate any project activity to "Direct Overheads" but rather charges all other costs directly to the project.

<sup>4</sup> Capitalized interest (or AFUDC) is calculated using the Board's approved interest rate methodology (EB-2006-0117) to the projects' forecast monthly cash flow and carrying forward closing balance from the preceding month.

Attachment 2

<b>TASK</b>	<b>START</b>	<b>FINISH</b>
Submit Section 92		February 2018
Projected Section 92 Approval		August 30, 2018
<b>LINES</b>		
Detailed Engineering	March 2018	May 2019
Procurement	July 2018	June 2019
Receive Material	September 2018	June 2019
Construction	June 2019	March 2020
<b>IN SERVICE</b>		<b>24 March 2020</b>
<b>STATIONS</b>		
Detailed Engineering	November 2018	November 2019
Procurement	May 2019	November 2019
Receive Material	June 2019	March 2020
Construction	May 2019	January 2021
<b>IN SERVICE</b>		<b>21 January 2021</b>