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BY EMAIL

May 29, 2019

Joanne Richardson  
Director – Major Projects and Partnerships  
Regulatory Affairs  
Hydro One Networks Inc.  
7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto ON M5G 2P5  
[Joanne.Richardson@HydroOne.com](mailto:Joanne.Richardson@HydroOne.com)

Dear Ms. Richardson:

Re: **Hydro One Networks Inc.**  
**Change Notification Letter - Kapuskasing Area Reinforcement (KAR) Project**  
**OEB File Number: EB-2018-0098**

On March 18, 2019, Hydro One provided the OEB with a notice of change to the in-service date and cost of the KAR Project. In the letter, Hydro One provided an update regarding the work required to complete construction of the KAR Project. Hydro One now estimates the total project cost to be \$31.16 million, which is a material increase over the estimated cost of \$21.07 million that was filed with the OEB in the leave to construct proceeding. The schedule for the KAR Project has also been revised. The updated schedule results in a five-month delay in the in-service of the upgraded line to March 24, 2020, and a 15-month delay for the station upgrade to January 21, 2021.

Further to a request from the OEB<sup>1</sup>, the IESO subsequently confirmed that the KAR Project remains the preferred solution for meeting reliability in the Kapuskasing area.<sup>2</sup> In

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<sup>1</sup> Request Letter to IESO dated April 8, 2019, OEB File No. EB-2018-0098

<sup>2</sup> IESO Response and Evidence dated May 8, 2019, OEB File No. EB-2019-0134, pg. 2

addition, the IESO stated that “there is sufficient margin in the planning assumptions to accommodate the delay of the station work”.<sup>3</sup>

The purpose of this letter is to confirm that the OEB has received Hydro One’s notice of change to the in-service date and cost of the KAR Project. The OEB will not be approving the change in costs at this time. The final costs of the KAR Project will be assessed by the OEB in the normal course in Hydro One’s next application seeking revenue recovery on the in-service rate base. The prudence of any costs that exceed the amounts approved through the leave to construct proceeding (i.e. the original \$21.07 million) will be assessed at that time. To facilitate this prudence review of the KAR Project costs, the OEB will place this letter on the record of the EB-2019-0082 proceeding for Hydro One’s transmission revenue requirement, which covers the period from January 1, 2020 to December 31, 2022, as well as the following documents:

- Hydro One Change Request, March 18, 2019, EB-2018-0098
- OEB Request Letter to IESO, April 8, 2019, EB-2018-0098
- IESO Response and Evidence, May 8, 2019, EB-2019-0134

Please direct any questions relating to this letter to Michael Lesychyn, Case Manager at [Michael.Lesychyn@oeb.ca](mailto:Michael.Lesychyn@oeb.ca) or at 416-440-7632. The OEB’s toll-free number is 1-888-632-6273.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary

c: Devon Huber, Senior Manager, Regulatory Affairs, IESO  
[Regulatoryaffairs@ieso.ca](mailto:Regulatoryaffairs@ieso.ca)  
All Intervenors in EB-2018-0098

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<sup>3</sup> Ibid, pg.2