

Hydro One Networks Inc.

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BY EMAIL AND RESS

January 13, 2023

Mr. Alex Share
Manager of Generation & Transmission
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Mr. Share,

Re: EB-2018-0257 – Hydro One Networks Inc.'s Section 92 – Côté Lake Mine Connection Project – Update on Project Cost and Schedule Completion Date

In accordance with Schedule B, Condition 4 of the Ontario Energy Board's ("OEB") Decision and Order, regarding Hydro One's leave to construct application for the Côté Lake Mine Connection Project ("Côté Lake") Project (or the "Project"), dated March 21, 2019, Hydro One is providing the OEB this Project update.

The current Project total cost estimate is \$85.6M, as compared to \$71.8M approved in the Section 92 application. The Project is now approximately 70% complete which has resulted in the elimination of some execution risks such as: the completion of the Environmental Assessment, the confirmation that existing electrical clearances are sufficient for construction activities on one circuit (T2R or T61S) without requiring an outage on the other circuit, and the completion of construction activities at Timmins TS. Based on the completion-status of Project work to-date, Hydro One considers the cost forecast of the remaining work to project completion (i.e. 30% of total project cost) to be an Advance of Cost Engineering (ACE) Class 3 estimate with an expected accuracy in the +30%/-20% range.

The energization circuit T2R was completed and returned to service in August 2022, while the second circuit, T61S, is expected to be energized, and the overall project completed, by November 2023. This represents a seventeen-month delay from the forecast in the leave to construct application. The revised Project forecast cost is \$85.6M. Table 1, below, shows the total Project cost allocation between the Customer (IAMGOLD) and the ratepayer (Hydro One) based on the updated total forecast and compared to the OEB's S.92 approval level.

Table 1 - Project Cost Allocation Comparison

Cost Comparison Table	IAMGOLD (Customer) (\$M)	Hydro One (\$M)	Project Total (\$M)
S.92 OEB-Approved	34.4	37.4	71.8
Updated Forecast	42.0	43.6	85.6
Variance	7.6	6.2	13.8

Table 2, below, provides the OEB-approved amounts, by Project sub-component, compared to the updated forecast amounts, including the impact to the required customer capital contribution.

Table 2 - Total Project Costs by Sub-Component and Customer Capital Contribution

Cost Comparison Table	Circuit T61S (\$M)	Circuit T2R (\$M)	Station Work (\$M)	Total Project (\$M)	Cap Con for line work - IAMGOLD (\$M)	Cap Con for stations work IAMGOLD (\$M)	Total IAMGOLD Cap Con (\$M)
S.92 OEB-Approved	37.4	31.7	2.7	71.8	27.7	0	27.7
Updated Forecast	43.6	31.7	10.3	85.6	28.0	0	28.0
Variance	6.2	0	7.6	13.8	0.3	0	0.3

These variances are attributable to the following factors:

1. Drivers of schedule delay:

- IAMGOLD Corporation (“IAMGOLD”) delayed signing the Customer Connection and Cost Recovery Agreement (“CCRA”) by 9 months (from November 2019 to August 2020), a decision that was driven by commodity prices. This resulted in a delay to the in-service date of the T2R circuit to August 2022, and consequently, it delayed the in-service date of the refurbishment of circuit T61S to November 2023 as well as requiring a revised execution plan. The signed CCRA included a forecast completion date of November 2022, however, Hydro One has been able to bring the energization of the T2R circuit forward by three months, to August 2022.

2. Primary drivers of cost increase:

- A higher overall project procurement cost (approximately \$4.8M). Market price escalations of materials (e.g. conductors, steel for tower replacements, materials for bridges), higher than anticipated use of rental equipment, handling of material by helicopter due to site conditions, and additional costs for outage planning and management.
- Changes in work plan methodology (approximately \$5.9M). During the execution phase of the Project the Ministry of National Resources and Forestry requested several changes to the project, including (i) converting two temporary planned access bridges to be made permanent

(requiring additional resources for environmental related studies), and (ii) requiring two additional temporary access bridges. A change in regulations required unplanned site removal of contaminated soil. Project delays caused changes to the execution plan such as installation of a by-pass line required to facilitate construction at Timmins TS. These requests added extra material, labour and equipment rental costs to the project.

- Project Execution Delays and Environmental Conditions (approximately \$2.2M). Environmental conditions such as severe winter weather required more site snow removal, poorer than anticipated soil conditions required more access and site ground stabilization (such as mats and additional aggregate), both requiring additional equipment rental. The use of electrical generators during a challenging period of wild-fires at, and adjacent to, the 115km circuit/station work site added additional costs to the Project.
- Other cost increases related to delays in signing the CCRA, updated contingency assumptions and the corresponding interest and overhead charges, beyond that originally anticipated, totaling approximately \$0.9M.

The increase in the costs to the ratepayer (Hydro One transmission rate base), as shown above in Table 1, is not of sufficient magnitude to increase the Uniform Transmission Rate, as approved by the OEB. As such the Project's cost increase will not impact a typical residential distribution customer's bill¹.

The Customer driving the energization and upgrade Project scope of the T2R circuit and associated transmission station components, IAMGOLD, have been informed of the Project cost increases, including the cost allocation impacts that will drive a change to the required capital contribution and have re-emphasized their support for the Project. Hydro One have committed to continue to keep IAMGOLD appraised of progress throughout the Project construction timeframe.

Sincerely,



Joanne Richardson

c/ Intervenors of record in EB-2020-0188 (electronic only)
c/ IAMGOLD - Patrick Wood

¹ This remains consistent with the commentary provided by Hydro One in the Application's economic evidence, at Exhibit B, Tab 2, Schedule 1, pg. 5, in the 'Impact on Typical Residential Customer' section.