

BY EMAIL AND RESS

November 28, 2024

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

Dear Mr. Qureshi,

EB-2020-0265 – Hydro One Networks Inc. Section 92 – Hawthorne to Merivale Reconductoring Project – Notification of Project Completion and Update on Project Cost

In accordance with the Ontario Energy Board's ("OEB") Decision and Order regarding Hydro One's leave to construct application for the Hawthorne to Merivale Reconductoring Project ("HMR Project" or "Project"), dated April 22, 2021, Hydro One is pleased to inform the OEB of the Project's completion and provide an update on a reduction in forecast Project costs.

The HMR Project was successfully completed and placed in service on July 1, 2023, approximately five months ahead of the anticipated completion date of December 2023, provided in Hydro One's leave to construct application (December 2023).

In a letter dated January 18, 2023 (the "2023 Letter"), Hydro One notified the OEB of an expected increase in the Project's cost from the approved \$21.3 million to \$46.9 million (inclusive of removals). The 2023 Letter detailed drivers behind the revised Project forecast cost.

We are now pleased to report a cost reduction of approximately **\$8.0 million** from the 2023 Letter's estimate, resulting in a final Project cost of **\$38.9 million**. This reduction is primarily due to efficiencies gained during the stringing of conductors on the second circuit (M30A). The outage duration for construction on circuit M30A was significantly shortened compared to the forecast in the 2023 Letter, thanks to lessons learned from the execution of the first circuit restringing (M31A) and advantageous circuit-outage availability durations.

Cost Reduction Breakdown

1. Direct Cost Savings:

- The re-stringing of the conductors on circuit M30A resulted in direct cost savings of \$1.6 million, attributable to a reduction in Project Management, labour and rental equipment cost. The forecast included in the 2023 Letter had anticipated a completion date of December 2023 and higher costs due to complexities encountered during the M31A re-stringing, which pertained to the dual-bundled conductor circuit configuration and logistical challenges near major infrastructure.

2. Lower Overhead and Interest Costs:

- The overall reduction in direct Project costs and a shorter construction timeframe led to an additional \$6.4 million in savings. The original cost estimate was based on an Advancement of Cost Engineering Class 2 estimate, which included indirect costs that assumed a December 2023 completion date. Having completed the Project five months early not only reduced direct costs but also lowered interest and overhead expenses.

3. Impact on Customer Bills

The updated Project cost of **\$38.9 million** will result in a modest increase of **\$0.04** per month for a typical 2020 residential customer, bringing their monthly bill to **\$181.62** based on the OEB's average consumption assumptions at the time the s.92 application was filed. For 2024, the impact on a typical customer bill, based on an average consumption of **750 kWh**, will be an increase of **\$0.03** per month, totaling **\$153.25**. Further details are provided in Tables 1 and 2 of Appendix A (attached).

Sincerely,



Joanne Richardson

c/ Intervenors of record in EB-2020-0265 (electronic only)

c/ OEB Registrar

APPENDIX A – ECONOMIC RATE IMPACT ANALYSIS

For comparison purposes, Hydro One updated the 2020 analysis underpinning its S.92 Application evidence utilizing the updated Project cost estimate included in this letter. The results of the analysis, as it related to the impact on those customer bills is provided below in Table 1.

Table 1 - Rate Impact Using the S.92 Average Residential Consumption as per Prefiled Evidence (920 kWh¹)

Rate Impact Year of Comparison	2020 Rate Impact	
Cost Estimate Utilized	2020 Estimate as Filed in S.92	2024 Updated Cost Estimate
A. Typical monthly bill	\$181.58 per month	
B. Transmission component of monthly bill	\$15.31 per month	
C. Line Connection Pool share of Transmission component	\$2.11 per month	
D. Transformation Connection Pool share of Transmission component	\$5.07 per month	
E. Network Connection Pool share of Transmission component	\$8.13 per month	
F. Impact on Network Connection Pool Provincial Uniform Rates	0.26%	0.51%
G. Increase in Transmission costs for typical monthly bill (C x D)	\$0.02 per month or \$0.25 per year	\$0.04 per month or \$0.5 per year
H. Net increase on typical residential customer bill (E / A)	0.01%	0.02%

*Items A to E are based on Typical monthly bill prior to analysis the impact of the Project's cost on rates.

¹ This Average Residential Consumption represents the OEB's 2020 assumed amount.

Additionally, Hydro One is providing an analysis of the cost increase included in this letter using the OEB-assumed 2024 average residential consumption, of 750 kWh. The results of the analysis, as it related to the impact on those customer bills is provided below in Table 2.

Table 2 - Rate Impact Using Current Average Residential Consumption (750 kWh²)

Rate Impact Year of Comparison Cost Estimate Utilized	2024 Rate Impact	
	2020 Estimate as Filed in S.92	2024 Updated Cost Estimate
A. Typical monthly bill	\$153.22 per month	
B. Transmission component of monthly bill	\$17.11 per month	
C. Line Connection Pool share of Transmission component	\$1.6 per month	
D. Transformation Connection Pool share of Transmission component	\$5.42 per month	
E. Network Connection Pool share of Transmission component	\$10.09 per month	
F. Impact on Network Connection Pool Provincial Uniform Rates	0.16%	0.33%
G. Increase in Transmission costs for typical monthly bill (C x D)	\$0.02 per month or \$0.2 per year	\$0.03 per month or \$0.4 per year
H. Net increase on typical residential customer bill (E / A)	0.01%	0.02%

* Items A to E are based on Typical monthly bill prior to analysis the impact of the Project's cost on rates.

² This Average Residential Consumption represents the OEB's 2024 assumed amount.