



BY EMAIL

December 5, 2024

Joanne Richardson
Director, Major Projects and Partnerships
Hydro One Networks Inc.
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Dear Joanne Richardson:

**Re: New Transmission Lines in Northeastern and Eastern Ontario
Ontario Energy Board File Number: EB-2023-0319**

This letter acknowledges receipt of your letter on October 31, 2024 in which Hydro One Networks Inc. (Hydro One) provided the following information regarding the scope and timing of three new transmission line projects.

- Independent Electricity System Operator's (IESO's) reports on Need for Northeast Bulk System Reinforcement (published October 2022) and Gatineau Corridor End-of-Life Study (published December 2022)
- IESO letter dated March 8, 2024 which includes further direction in relation to transmission projects outlined in the Northeast Bulk System Reinforcement report
- Memorandum from the IESO, dated December 8 2023, which summarizes the IESO's observations on the new and modified alternatives for one of the new transmission line projects outlined in the Gatineau Corridor End-of-Life Study

The three transmission line projects (collectively referred to as the Projects) are:

1. A new 230 kilovolt (kV) transmission line from Mississagi Transformer Station to Third Line Transformer Station, including associated station facility expansions or upgrades required at the terminal stations
2. A new 500 kV transmission line from Mississagi Transformer Station to Hanmer Transformer Station, including associated station facility expansions or upgrades required at the terminal stations
3. A new 230 kV transmission line from Dobbin Transformer Station to either Cherrywood Transformer Station or Clarington Transformer Station, including associated station facility expansions or upgrades required at the terminal stations

Timing of Providing Information to the Ontario Energy Board

The Ontario Energy Board (OEB) in its November 14, 2023 Decision and Order required Hydro One to file any recommendations received from the IESO related to the scope and timing of the development of the Projects no later than December 20, 2023.¹

The OEB acknowledges Hydro One's recognition of the delay in providing this information. The OEB recognizes that the IESO provided information regarding one of the Projects in March 2024, however Hydro One is reminded of its obligation to provide reports by required deadlines or to notify the OEB of any delays and reasons for them.

Memorandum from IESO

The memorandum outlines IESO's observations regarding new and modified alternatives proposed by Hydro One specific to one of the three transmission projects (230 kV transmission line from Dobbin Transformer Station to either Cherrywood Transformer Station or Clarington Transformer Station).

Specific to costs, IESO has indicated that "Hydro One has presented planning estimates for transmission lines that are significantly higher than the typical costs assumed in the study". IESO further notes that it "does not have any information regarding inflationary cost escalation over the past few years to either agree or disagree with the information provided by Hydro One."

Hydro One is reminded that costs for the project will be reviewed in detail as part of the related Leave to Construct application, and Hydro One will need to demonstrate that the costs are reasonable and prudent. This will include providing a detailed breakdown of costs and evidence to substantiate inflationary increases or other drivers of higher estimates.

Reporting Requirements for the Projects

Section 19.9.1 of Hydro One's licence, as amended on November 14, 2023, requires Hydro One to develop and seek approvals for the Projects.

In addition to requiring the amendment of Hydro One's license, the Minister's Directive, dated October 19, 2023, also directed the OEB to require that Hydro One provide such reporting to the OEB as the OEB may consider appropriate with respect to budget, timing and risks in relation to the development of the Projects. This letter sets out the OEB's reporting requirements for the Projects.

Separate reports shall be provided by Hydro One for each of the three transmission line projects. Reports for a specific transmission line project shall be provided until a leave to construct application for that transmission line project is filed.

¹ This requirement is outlined in section 19.9.1 of Hydro One's electricity transmission license, ET-2003-0035

The first set of reports should be filed with the OEB by January 31, 2025 and should cover the period up until October 31, 2024.

All subsequent reports should be filed as follows:

- November 1 to April 30 for reporting in May
- May 1 to October 31 for reporting in November

These reports are to be filed by the 15th business day of the month following the end of each reporting period.

In each report, Hydro One shall provide an update on the following matters:

- *Overall Project Progress*: An executive summary of work progress, cost and schedule status, and any emerging issues/risks and proposed mitigation.
- *Development Cost*: Development costs shall be reported in the form of the attached table. A forecast of the development cost is to be provided in the first set of reports (in column 'C' of the table) and will be used as the reference for future reports. A future hearing will examine the prudence of development costs incurred by Hydro One for the Projects.
- *Development Work Schedule*: The milestones completed and the status of milestones in-progress. The schedule and milestones for development work provided in the first report will be used as the reference for future reports. For milestones that are overdue or delayed, the reasons for delay, the magnitude and impact of the delay on broader project timelines and cost, and any mitigating steps that have or will be taken to complete the task.
- *Risks and Issues Log*: An assessment of the risks and issues with respect to project development, potential impact on schedule, cost or scope, as well as potential options for mitigating or eliminating the risk or issue.
- *Project scope and timing recommendations provided by the IESO*: If the IESO updates its scope and timing recommendations these should be included.

Any questions relating to this letter should be directed to Musab Qureshi at musab.queshi@oeb.ca.

Yours truly,

Brian Hewson
Vice President, Consumer Protection & Industry Performance

Attachment: Project Development Cost Reporting Table

Project Development Cost Reporting Table for Use in Bi-annual Reports

All bi-annual reports should include the following table that summarizes budgeted vs. actual expenditures to date, as well as any forecast changes in budget and the revised total budget. Percentage values in the cost table should be used to two decimal places.

Project Development Cost Reporting Table

	Actuals Spent			Forecast Budget Variance					
	A Spent this Reporting Period (millions)	B Total Spent to Date (millions)	C Budget per January 31, 2025 Report (millions)	D Forecast Budget Change from Last Report (millions)	E Forecast Budget Change from Last Report (%)	F Revised Total Budget (millions)	G = F – B Budget Remaining (millions)	H = G/F *100 Budget Remaining (%)	Reasons for Change
Real Estate									
Engineering and Design									
Environmental Approvals									
Indigenous Consultation									
Project Management									
Contingency									
Other Consultation									
Interest and Overhead									
Total									

Notes on the Project Development Cost Reporting Table

- Column ‘A’ should reflect expenditures since the last reporting period.
- Column ‘B’ should reflect all expenditures to date for the specific transmission line project.
- Budgeted costs in Column ‘C’ should be those reported in Hydro One’s first bi-annual report and are to be held fixed.