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BY COURIER

October 15, 2013

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
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Dear Ms. Walli:

EB-2006-0180 and EB-2013-0358: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on October 23, 2013) of the current Interim Distribution License for Cat Lake.

In a Decision and Order dated July 21, 2006 (EB-2006-0180), the Board issued an order (ED-2006-0181) deeming as distribution assets all the transmission assets owned by the Cat Lake Public Utility, and issued a 3-month interim distribution license to Hydro One. The Board ordered Hydro One to take possession and control of the deemed distribution assets owned by Cat Lake Power and the distribution assets in the Cat Lake community owned by the Ontario Electricity Financial Corporation. Hydro One Networks Inc. ("Hydro One") assumed possession and control of the assets covered by this order at 12:01 am on August 14, 2006. The Board has subsequently amended the interim electricity distribution license ED-2006-0181, and has extended it for consecutive 3-month terms, most recently on July 24, 2013 (EB-2013-0267). Hydro One Remote Communities Inc. ("Remotes") expects to file the necessary application(s) to include Cat Lake in Remotes' service territory in the future, as noted by the Board in its Decision and Order in Remotes' 2014 rate application EB-2012-0137, once an agreement with the community has been reached and required government approvals have been secured.

This progress report updates the report that Hydro One filed on July 15, 2013. It covers the Cat Lake utility activities to date and provides financial results until September 30, 2013.

Tracking of cost

As directed, Hydro One is recording the revenues from the customers in the Cat Lake community and the "costs of operation and maintenance of the system." The energy costs, OM&A costs and capital

costs are recorded separately. As of September 30, 2013 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 1,069,591
OM&A:	\$ 2,983,298
Cost of Energy:	\$ 1,776,768
Interest Cost:	<u>\$ 78,491</u>
Total	\$ 5,908,148

Tracking of revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in September of 2013. The total amount invoiced at that time, was approximately \$709,488. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$ 75,117
Overdue 40-69 days:	\$ 23,885
Overdue 70-89 days:	\$ 28,197
Overdue 90+ days:	<u>\$ 582,289</u>
Total	\$ 709,488

As at September 30, 2013 Hydro One has collected the following amounts from Cat Lake customers (rounded to the nearest dollar):

September to December 2006	\$ 29,787
January to December 2007	\$ 477,319
January to December 2008	\$ 477,751
January to December 2009	\$ 437,198
January to December 2010	\$ 446,712
January to December 2011	\$ 488,469
January to December 2012	\$ 566,363
January to June 2013	\$ 185,089
July 2013	\$ 18,684
August 2013	\$ 8,110
September 2013	<u>\$ 13,544</u>
Total	\$3,149,026

Regulatory Assets account balance

As of September 30, 2013 the balance in the deferral account related to Cat Lake is \$ **2,759,123** (rounded to the nearest dollar).

Operations

Operations were normal with no significant events during the three-month reporting period (July-September 2013).

Planned Work and Further Reporting

Some of the work activities and investments that are planned for Cat Lake are listed below, along with ballpark cost estimates where travel costs are a large component:

1. **Major Forestry work** under the lines serving the community. [\$2M] **Status:** Approximately \$118.5k was reported in the third quarter of 2013. These costs were attributed to the rental of contracted helicopters to perform previously completed forestry work. This brings the total to approximately \$1.42M since the beginning of 2012. In summary, in 2013, Forestry performed 18km of brushing on transmission lines and 33km of brushing on distribution lines. All of the transmission and distribution line clearing work is completed. The plan for 2014 includes 43km of distribution brush clearing (estimated date of completion is Spring 2014). Once this is finished, all of the identified forestry work will be completed.
2. **Construction of a “Hydro House”** to accommodate staff from outside the community. [\$250k] **Status:** Options have been evaluated and it has been decided to proceed with securing the Hydro House.
3. **Restocking of depleting inventory** [\$300k] **Status:** Listing of materials has been compiled. Approximately \$20k has been spent on materials (none of which was spent in the 3rd quarter).
4. **Purchase and deployment in the Community of Transport and Work Equipment.** At present, Hydro One only has a single 6x6 ATV in the community. [\$14k] **Status:** A second ATV has been sourced but is yet to be purchased.
5. **Cat Lake distribution station work:** upgrading existing communications equipment, installing bypass fuses, refurbishment of a circuit switcher, relocating a station service transformer and weed control for improved reliability. [\$1M +]. **Status:** Upgrade of communications equipment was completed in 2011. The current Station Design has no redundancy and any work to refurbish or change the configuration will require an outage. The original diesel generator is planned to be decommissioned and removed from site by Cat Lake FN. The scope to allow refurbishing the Station has been developed. This project will address deficiencies as reported by Hydro One electrical maintenance staff. In May 2012 a site visit was conducted to determine the best resolution to the ongoing problems with Cat Lake MTS that cause outages to this remote community. The estimated cost to mitigate the issues noted above is \$300k. This work is scheduled to commence in 2014 as soon as the designs are completed.

6. Connecting a new community school to the distribution system: Hydro One Networks spent \$327,619 to date, on a work program to connect a new school to the distribution system. The connection work has been completed.

Hydro One continues to operate the Cat Lake system and to manage issues associated with its operations. We will also continue to inform the Board and its staff of any significant issues, to solicit advice and guidance as needed, and to provide information in support of the Board's review of the Cat Lake situation.

Sincerely,

Allan Cowan

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