

**Hydro One Networks Inc.**

7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-6219  
Fax: (416) 345-5870  
cell: (647) 282-2597  
Allan.Cowan@HydroOne.com

**Allan Cowan**

Director, Major Applications  
Regulatory Affairs



BY COURIER

January 15, 2014

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, ON.  
M4P 1E4

Dear Ms. Walli:

**EB-2006-0180 and EB-2014-0008: Status Report on Operations of Cat Lake**

Hydro One is providing this update to the Board in advance of the expiry (on January 23, 2014) 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 October 23, 2013 (EB-2013-0358). 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 October, 15, 2013. It covers the Cat Lake utility activities to date and provides financial results until December 31, 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 December 31, 2013 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 1,076,913
OM&A:	\$ 3,007,354
Cost of Energy:	\$ 1,880,301
Interest Cost:	<u>\$ 88,504</u>
<b>Total</b>	<b>\$ 6,053,072</b>

***Tracking of revenue***

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in December of 2013. The total amount invoiced at that time, was approximately \$668,340. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$ 52,088
Overdue 40-69 days:	\$ 6,947
Overdue 70-89 days:	\$ 4,121
Overdue 90+ days:	<u>\$ 605,183</u>
<b>Total</b>	<b>\$ 668,340</b>

As at December 31, 2013 Hydro One has cumulatively 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 September 2013	\$ 225,427
October 2013	\$ 8,819
November 2013	\$ 16,965
December 2013	<u>\$ 47,279</u>
<b>Total</b>	<b>\$3,222,088</b>

***Regulatory Assets account balance***

As of December 31, 2013 the balance in the deferral account related to Cat Lake is **\$ 2,830,983.**

## ***Operations***

Operations were normal with no significant events during the three-month reporting period (October – December 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 \$10K was reported in the fourth quarter of 2013, these costs were attributed to the preparation for work to be done in early 2014, including moving fuel trucks to sites, and sending crews to create road access. This brings the total to approximately \$1.52M since the beginning of 2012. In summary, in 2013, Forestry did 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 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 4<sup>th</sup> 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,

ORIGINAL SIGNED BY ALLAN COWAN

Allan Cowan