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BY COURIER

April 14, 2014

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-2014-0161: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on April 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 January 24, 2014 (EB-2014-0008). Hydro One Remote Communities Inc. ("Remotes") is planning to file a MAAD application to include Cat Lake in Remotes' service territory in the near future, as noted by the Board in its Decision and Order in Remotes' 2013 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 January, 15, 2014. It covers the Cat Lake utility activities to date and provides financial results until March 31, 2014.

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 March 31, 2014 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 1,101,925
OM&A:	\$ 3,555,285
Cost of Energy:	\$ 2,023,068
Interest Cost:	<u>\$ 99,277</u>
Total	\$ 6,779,555

Tracking of revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in March of 2014. The total amount invoiced at that time, was approximately \$808,041. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$ 132,811
Overdue (40-69 days):	\$ 19,902
Overdue (70-89 days):	\$ 1,241
Overdue (90+days):	<u>\$ 654,087</u>
Total	\$ 808,041

As at March 31, 2014 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 December 2013	\$ 298,490
January 2014	\$ (2,912)*
February 2014	\$ 12,732
March 2014	<u>\$ 17,435</u>
Total	\$3,249,344

*Amount reflects the effects of invoice reversals and rebilling adjustments.

Regulatory Assets account balance

As of March 31, 2014 the balance in the deferral account related to Cat Lake is \$ **3,530,212**.

Operations

Operations were normal with no significant events during the three-month reporting period (January – March 2014).

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 \$513K was reported in the first quarter of 2014, these costs were attributed to Forestry Services completing the final phase of mechanical brush control on remaining 43kms(approx. 400 spans) of distribution lines servicing the First Nations community of Cat Lake north of Dryden. The brush control work was carried out in the winter to take advantage of frozen ground to ease the crossing of significant sections of low and wet areas. Tracked and boom mounted grinding equipment was used to control tall dense conifer growth that had grown since last maintenance cycle by the operating utility. The brush control work on this corridor was started in winter of 2013. The ice road that connects Pickle Lake to Cat Lake was nearly completed and this allowed Hydro One an opportunity to continue to float equipment to the worksite. The Distribution portion of this line is 76 kms long of which 33 km's were completed in 2013. In addition to this, there is 18kms of transmission lines that was also completed in the winter of 2013. This brings the total to approximately \$2M since the beginning of 2012. In summary, in 2014, Forestry did 43km of Brushing of Brushing on distribution lines. All of the distribution line clearing work is now 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 first quarter of 2014).
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:** ATV has been sourced but is yet to be purchased.
5. **Cat Lake transmission work:** Completed a detailed helicopter inspection of the transmission line to assess the condition of wood poles/cross arms, insulators, hardware, etc. in addition to collecting inventory data for these assets. This was completed in 2013 and the cost was

approximately \$25K. A project to complete a clearance survey of the line will be completed in spring of 2014. This includes measurement of the height of point of attachments for bottom phase conductors, measurement of sag at mid spans, measurement of spans, measurement of vertical and horizontal clearances for all objects (ex. distribution lines, buildings, traffic lights, telephone cables, trees, etc.) within the hydro one right-of-way, and measurement of conductor temperature in addition to ambient temperature at the time the circuit is being surveyed. The estimated cost is \$35k. In addition, work to be performed in 2014 includes defect corrections including repairing broken down guys/broken down grounds, tightening/re-fastening loose down guys and down grounds and potential replacement of a few wood pole structures depending on extent of wood pecker damage and rot.

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.

Reference is made to our letter dated January 15, 2014 (EB-2014-0008) in which we describe the planned work for the Cat Lake distribution station. At this time, Hydro One has decided not to proceed with such work until it can determine more details regarding the transfer of station ownership.

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