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BY COURIER

October 17, 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-2014-0318: Status Report on Operations of Cat Lake**

Hydro One is providing this update to the Board in advance of the expiry on October 23, 2014 of the current Interim Distribution Licence 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 licence 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 licence ED-2006-0181, and has extended it for consecutive 3-month terms, most recently on July 24, 2014 (EB-2014-0161). Hydro One Remote Communities Inc. ("Remotes") is planning to file a MAADs 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 July 15, 2014. It covers the Cat Lake utility activities to date and provides financial results until September 30, 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 September 30, 2014 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 1,136,674
OM&A:	\$ 3,831,047
Cost of Energy:	\$ 2,196,142
Interest Cost:	<u>\$ 125,579</u>
<b>Total</b>	<b>\$ 7,289,442</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 September of 2014. The total amount invoiced at that time was approximately \$983,958. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$ 345,506
Overdue (40-69 days):	\$ 17,193
Overdue (70-89 days):	\$ 6,515
Overdue (90+days):	<u>\$ 614,744</u>
<b>Total</b>	<b>\$ 983,958</b>

As at September 30, 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 to June 2014*	\$ 126,649
July 2014*	\$ 11,444
August 2014*	\$ 1,121
September 2014	<u>\$ 35,647</u>
<b>Total</b>	<b>\$3,396,949</b>

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\* The revenue collections were substantially lower than normal due to suspended collections process in effect during that time. A detailed explanation is in Item 5 (Revenue) under *Planned Work and Further Reporting* in this report.

### ***Regulatory Assets account balance***

As of September 30, 2014 the balance in the deferral account related to Cat Lake is \$ **3,892,493**.

### ***Operations***

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

### ***Planned Work and Further Reporting***

Below are updates to the previously planned but uncompleted work at Cat Lake:

1. **Major Forestry work** for the lines serving the community. [\$2 million] **Status:** All forestry maintenance work on distribution and transmission lines serving Cat Lake has now been completed. Expenditures of approximately \$108,000 were booked in the second and third quarter of 2014 for brush control on the remaining six spans of distribution line.
2. **Construction of a “Hydro House”** to accommodate staff from outside the community. [\$250,000] **Status:** It was decided not to build the house. Instead, the Ministry of Natural Resources’ bunk house is used when needed.
3. **Restocking of depleting inventory** [\$300,000] **Status** (unchanged): A listing of materials has been compiled. Approximately \$20,000 has been spent on materials (none of which was spent in the third quarter).
4. **Cat Lake transmission work:** A project to conduct a clearance survey of the line was completed in the spring of 2014, at a cost of \$69,000. Work included measuring the height of point of attachments for bottom phase conductors, the sag at mid spans, the spans, the vertical and horizontal clearances for all objects within the Hydro One right-of-way, and the conductor temperature and ambient temperature at the time of the survey.

In July and August, \$45,000 was spent to complete defect corrections such as repairing broken down guys/broken down grounds, tightening/re-fastening loose down guys and down grounds, as well as the wood pole condition assessment. Vegetation corrections have been identified, and are scheduled for completion by December 2014.

During the Wood pole condition assessment, electrical clearance corrections were identified which were designed in September and work packages have been prepared which involve moving arms up on structures and installing a bayonet for shieldwire, and increasing line tension. Execution of the corrections is expected to occur by the end of February 2015 during a planned outage, and the cost is estimated to be \$15,000.

5. **Revenue:** Amounts collected from Cat Lake customers in 2013 were significantly less than the amounts collected in 2012, and trended even lower for 2014. This is due to the fact the

collections program was suspended from April 2013 until September 2013 to accommodate Hydro One's transition to a new Customer Information System in May 2013. Further, the collections program was suspended in December 2013 and was only recently reactivated in September 2014. This decline is not expected to continue into the remainder of 2014 as dunning has been reactivated.

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,

Oded Hubert