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Director – Major Applications
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January 15, 2015

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 January 23, 2015 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 October 24, 2014 (EB-2014-0241). 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 October 17, 2014. It covers the Cat Lake utility activities to date and provides financial results until December 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 December 31, 2014 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 1,156,653
OM&A:	\$ 3,870,678
Cost of Energy:	\$ 2,323,649
Interest Cost:	\$ 139,705
Total	\$ 7,490,685

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 2014. The total amount invoiced at that time was approximately \$1,064,445. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$ 98,819
Overdue (40-69 days):	\$ 21,103
Overdue (70-89 days):	\$ 203,229
Overdue (90+days):	\$ 741,295
Total	\$ 1,064,445

As of December 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 to September 2014	\$ 174,861
October 2014	\$ 17,428
November 2014	\$ 34,003
December 2014	\$ 7,780
Total	\$3,456,161

Regulatory Assets account balance

As of December 31, 2014 the balance in the deferral account related to Cat Lake is \$ **4,034,524**.

Operations

Operations were normal with no significant events during the three-month reporting period (October – December 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 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 fourth 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 were completed in October 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.

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