

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2006-0180

IN THE MATTER OF section 84 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B)

AND IN THE MATTER OF the Board issuing to Hydro One Network Inc. an interim distribution licence under subsection 59(2) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B)

BEFORE: Pamela Nowina
Vice Chair and Presiding Member

DECISION AND ORDER

Cat Lake Power Utility Ltd. ("Cat Lake Power") owns and operates a transmission system as well as operates a distribution system for the Cat Lake community. The distribution system is owned by Ontario Energy Finance Corporation ("OEFC"). Cat Lake Power is licensed by the Board.

By letter to the Board dated March 13, 2006 Cat Lake Power requested that the adjacent transmitter take over the operation of the transmission assets for which Cat Lake Power has been licensed. On the same date, Cat Lake Power sent a separate letter to the Minister of Energy indicating that Cat Lake Power also no longer wishes to operate the distribution system that serves the Cat Lake community. In effect, the two letters requested that the Board and the Minister of Energy take action such that Cat Lake Power will be relieved of responsibility for the ownership and operation of the transmission system as well as operation of the distribution system, which is owned by OEFC.

On March 22, 2006, the Board responded by way of a letter from the Chief Compliance Officer. The letter requested that Cat Lake Power provide a proposal for how the transfer of operation of the distribution assets to OEFC and how transfer of operation of the transmission system to the adjacent transmitter

should occur. The proposal should also indicate how Cat Lake Power intends to pay for the services that will continue to be provided by these assets. The letter also offered to arrange for a meeting with Cat Lake Power to discuss this matter.

On March 31, 2006 the Ministry of Energy sent a letter to Cat Lake Power informing them that the issues raised by Cat Lake Power are matters for the Board to consider, and that while the Board is working to address the concerns raised, Cat Lake Power is expected to continue to operate with no disruption of service to local customers.

Copies of the letters are shown in Appendix A.

Cat Lake Power Report

Cat Lake Power responded to the Board's request by submitting to the Board a report dated July 10, 2006 (the "Report" – see Appendix C) outlining its proposal to deal with its inability to operate the transmission and distribution systems. According to the Report, Cat Lake Power had a management/maintenance agreement with Sioux Lookout Hydro Inc. under which Sioux Lookout Hydro Inc. serviced the transmission and distribution systems. That agreement expired on July 1, 2006. Sioux Lookout Hydro Inc. is now providing these services on a "best efforts" basis. As a consequence, according to Cat Lake Power, future maintenance service for both the transmission and the distribution systems will be very difficult and expensive where complaint calls need to be responded to by air and line maintenance needs to be completed by helicopter.

Cat Lake Power concluded its Report by requesting that the Board direct Hydro One Networks Inc. ("Hydro One") to purchase the transmission and distribution systems serving the Cat Lake community.

On July 19, 2006 Board staff received an urgent message on behalf of Cat Lake Power indicating that recent hot weather and thunderstorm activity have caused a number of power interruptions in the community and indicated the need for the Board to take urgent action.

On July 20, 2005, Board staff contacted Hydro One to determine the earliest date that it could take over possession and control of the Cat Lake Power transmission and distribution systems. Hydro One advised that, in order to have

time to familiarize itself with the Cat Lake Power system, it could not take over possession and control immediately. It estimated that the earliest date for doing so is August 14, 2006.

Electricity Service Risk to Cat Lake Community

The Board has determined that the reliable supply of electricity to consumers in Cat Lake may be compromised. While Sioux Lookout Hydro Inc. continues to operate the system on best efforts basis and until a resolution to the situation is achieved, the Board has determined that, in order to meet its obligation of protecting the reliable supply of electricity to consumers in the Cat Lake community, the Board will take the following steps:

Pursuant to section 84 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B) (the "Act"), the Board will deem the transmission assets owned by Cat Lake Power to be distribution assets. These assets are listed in Schedule 1 of electricity transmission and wholesale licence No. ET-2002-0328 issued to Cat Lake Power Utility Ltd. on October 31, 2002.

Pursuant to section 59(2) of the Act, the Board will order Cat Lake Power to transfer possession and control over the transmission and distribution system to Hydro One as soon as Hydro One determines that it is in a position to take over same and, in any event, no later than August 14, 2006. Cat Lake shall continue to be responsible for meeting all requirements under its current licence until the transfer is complete. Cat Lake shall provide full cooperation and assistance to Hydro One to effect the transfer.

Pursuant to section 59(2) of the Act, the Board will issue to Hydro One an interim distribution licence authorizing 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 that are owned by the Ontario Electricity Financial Corporation.

THE BOARD ORDERS THAT:

1. The transmission assets listed in Schedule 1 of the electricity transmission and wholesale licence No. ET-2002-0328 issued to Cat Lake Power Utility Ltd. on October 31, 2002 are deemed to be distribution assets effective as of the date prescribed in clause 8 of this Decision and Order.
2. Hydro One Networks Inc. comply with the interim distribution licence shown in Appendix B, which authorizes Hydro One Networks Inc. to take possession and control of the deemed distribution assets owned by Cat Lake Power and the distribution assets in the Cat Lake community that are owned by the Ontario Electricity Financial Corporation as soon as possible and, in any event, no later than August 14, 2006.
3. Hydro One Networks Inc. to collect revenue from the existing customers in the Cat Lake community based on the rates that are currently applicable.
4. Hydro One Networks Inc. to keep track of revenues from the customers in the Cat Lake community and costs of operation and maintenance of the system in a deferral account (under the Uniform System of Accounts). Such accounts would be reviewed in a future rate proceeding. The Board would determine at that point the cost responsibility in the event of a shortfall and the mechanism for that shortfall recovery.
5. Cat Lake Power Utility Inc. continue retaining ownership of the deemed distribution assets, but surrender possession and control of its business including its deemed distribution assets to the licensee. Cat Lake Power Utility Inc. is not entitled to any compensation from the Crown, the Board or any person for being required to surrender possession and control of its deemed distribution assets and business.
6. Ontario Electricity Financial Corporation continue retaining ownership of the distribution assets serving the community of Cat Lake, but surrender possession and control of its business including the distribution assets to the licensee. The Ontario Electricity Financial Corporation is not entitled to any compensation from the Crown, the Board or any person for being required to surrender possession and control of its distribution assets and business.

7. The protocol for surrendering control of the deemed distribution assets (owned by Cat Lake Power Utility Inc.) and the distribution assets (Owned by Ontario Electricity Financial Corporation) to the licensee by Cat Lake Power Utility Inc. and its contractor Sioux Lookout Hydro Inc. must ensure public, system and employee safety of all parties. Cat Lake shall provide full cooperation and assistance to Hydro One to effect the transfer.
8. Cat Lake Power Utility Inc.'s electricity transmission and wholesale licence No. ET-2002-0328 issued on October 31, 2002, is still valid until the earlier of: the date the licensee actually possesses and control the business of Cat Lake Power Utility Inc. including its deemed distribution assets and the distribution business owned by the Ontario Electricity Financial Corporation in the Cat Lake community; or August 14, 2006, whichever ever occurs first. Cat Lake shall continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
9. In the period leading to the date stated in clause 7. of this Order, Hydro One Networks Inc. shall provide on a best efforts basis any resources necessary to deal with required maintenance as requested by Cat Lake Power Utility Inc. or its contractor Sioux Lookout Hydro Inc.
10. Hydro One Networks Inc. shall inform the Board immediately upon taking possession and control of the said distribution assets.

DATED at Toronto, July 21, 2006.

Application for licence
ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Acting Board Secretary