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Oded Hubert

Director – Regulatory Compliance
Regulatory Affairs



BY COURIER

April 15, 2009

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-2009-0017: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on April 21, 2009) 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 January 21, 2009.

This progress report covers the Cat Lake utility activities until March 31, 2009 and updates the report that Hydro One filed on January 15, 2009.

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, 2009 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

| | |
|-----------------|---------------------|
| Capital: | \$ 352,615 |
| OM&A: | \$ 365,528 |
| Cost of Energy: | \$ 475,802 |
| Interest Cost: | <u>\$ 24,297</u> |
| Total | \$ 1,218,242 |

Tracking of revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued on March 11, 2009. The total amount invoiced at that time, was approximately \$277,702. This amount includes GST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

| | |
|----------------------|-------------------|
| Current (0-21 days): | \$ 60,129 |
| Overdue 22-59 days: | \$ 14,995 |
| Overdue 60-119 days: | \$ 25,005 |
| Overdue 119+ days: | <u>\$ 177,572</u> |
| Total | \$ 277,702 |

As at March 31, 2009 Hydro One 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 March 2008: | \$ 146,516 |
| April to June 2008: | \$ 129,561 |
| July to September 2008: | \$ 92,419 |
| October to December 2008: | \$ 109,255 |
| January 2009: | \$ 19,092 |
| February 2009: | \$ 95,426 |
| March 2009 | \$ 34,629 |
| Total | \$ 1,134,003 |

Regulatory Assets account balance

As of March 31, 2009 the balance in the deferral account related to Cat Lake is **\$ 84,239**.

Operations and further reporting

No major operations events occurred during the reporting period.

As reported in our January 15th letter, Hydro One implemented a full replacement of the protection relays used to reliably detect and clear faults on the 27.6 kV feeder supplying the Cat Lake community. The work was completed on March 17, 2009. In addition, Hydro One has taken action to build a storage facility in the community which will permit having tools and spare parts on site, available as required, instead of transporting them each time when responding to trouble calls or performing planned work.

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. In response to the Board initiating a review of the Cat Lake situation to determine options for a viable long-term solution, Hydro One is assessing the implications of adding "connected remote communities" and is in discussions with the OEB and government on the options.

Sincerely,

ORIGINAL SIGNED BY JIM MALENFANT

^{For} Oded Hubert