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Oded Hubert

Director – Regulatory Compliance
Regulatory Affairs



BY COURIER

April 15, 2010

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

**EB-2006-0180: Status Report on Operations of Cat Lake
Board File No. EB-2010-0163**

Hydro One Networks Inc. ("Hydro One") is providing this update to the Board in advance of the expiry (on April 21, 2010) 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 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, 2010 (EB-2010-0006).

This progress report covers the Cat Lake utility activities until March 31, 2010 and updates the report that Hydro One filed on January 15, 2010.

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, 2010 the total costs recorded since taking possession and control are summarized on the following page:

Cumulative Costs incurred by Hydro One for Cat Lake

| | |
|-----------------|---------------------|
| Capital: | \$ 632,314 |
| OM&A: | \$ 379,288 |
| Cost of Energy: | \$ 699,095 |
| Interest Cost: | \$ 25,086 |
| Total | \$ 1,735,783 |

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 2010. The total amount invoiced at that time, was approximately \$360,504. This amount includes GST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

| | |
|----------------------|-------------------|
| Current (0-21 days): | \$ 12,692 |
| Overdue 22-59 days: | \$ 39,213 |
| Overdue 60-119 days: | \$ 30,265 |
| Overdue 119+ days: | \$ 278,334 |
| Total | \$ 360,504 |

As at March 31, 2010 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 December 2008: | \$ 477,751 |
| January to December 2009: | \$ 437,198 |
| January 2010: | \$ 31,536 |
| February 2010: | \$ 22,129 |
| March 2010: | \$ 50,794 |
| Total | \$ 1,526,513 |

Regulatory Assets account balance

As of March 31, 2010 the balance in the deferral account related to Cat Lake is **\$ 209,270**.

Operations and further reporting

No major operations events occurred during the reporting period.

Hydro One continues to operate the Cat Lake system and to manage issues associated with these operations. We will inform the Board and its staff of any significant issues, and solicit advice and guidance as needed. We also remain in contact with the government and with Board staff, in anticipation of regulations that might prescribe the manner by which Hydro One Inc. (through one of its subsidiaries) may serve geographically remote communities that are or become grid-connected.

Sincerely,

ORIGINAL SIGNED BY

Oded Hubert