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Director – Regulatory Compliance
Regulatory Affairs



BY COURIER

July 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 and EB-2010-0163 - Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry, on July 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 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 in a Decision and Order dated April 21, 2010 (EB-2010-0163).

With one exception (information pertaining to an outage that occurred on July 2, 2010), this progress report covers Cat Lake utility operations to June 30, 2010, and updates the report that Hydro One filed on April 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 June 30, 2010 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 678,523
OM&A:	\$ 387,866
Cost of Energy:	\$ 756,935
Interest Cost:	<u>\$ 25,388</u>
Total	\$ 1,848,712

Tracking of revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in June 2010. The total amount invoiced at that time, was approximately \$413,511. This amount includes GST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 42,410
Overdue 22-59 days:	\$ 16,880
Overdue 60-119 days:	\$ 36,334
Overdue 119+ days:	<u>\$ 317,886</u>
Total	\$ 413,511

As at June 30, 2010 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 March 2010	\$ 104,459
April 2010:	\$ 21,449
May 2010:	\$ 16,279
June 2010:	\$ 26,834
Total	\$1,591,074

Regulatory Assets account balance

As of June 30, 2010 the balance in the deferral account related to Cat Lake is \$ **257,637**.

Operations

On July 2, 2010 (18:45 EST), Cat Lake experienced a power outage when the F1 feeder tripped. An unsuccessful attempt to close the feeder breaker at Cat Lake Distribution Station suggested that the issue was at the station itself, rather than on the line. Given the approaching darkness, distance (2.5 hours helicopter flight time), and Environment Canada reports of thunderstorm risks in the area, crews could only attend the site on Saturday, July 3 to address the issue in daylight. Protection & Control and Electrical Maintenance staff identified the cause (a defective breaker charger motor), manually closed the breaker, and restored power at 14:15 EST. A breaker motor replacement was then scheduled for the upcoming Planned Outage to address work required at Cat Lake DS.

Further reporting

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. Hydro One is still supporting the Board and government in assessing options for serving "connected remote communities".

Sincerely,

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