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BY COURIER

October 15, 2010

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-2010-0309: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on October 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 on July 21, 2010 (EB-2010-0242).

This progress report covers the Cat Lake utility activities to date and financial results until September 30, 2010 and updates the report that Hydro One filed on July 15, 2010.

Tracking of Costs

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 September 30, 2010, the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 743,383
OM&A:	\$ 501,396
Cost of Energy:	\$ 795,474
Interest Cost:	\$ 25,981
Total	\$ 2,066,235

Tracking of Revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in September of 2010. The total amount invoiced at that time, was approximately \$568,359. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 12,490
Overdue 22-59 days:	\$ 25,324
Overdue 60-119 days:	\$ 183,655
Overdue 119+ days:	\$ 346,889
Total	\$ 568,359

As at September 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
As	January to December 2009:	\$ 437,198
the	January to March 2010	\$ 104,459
\$	April to June 2010	\$ 64,562
	July 2010:	\$ 59,060
	August 2010:	\$ 25,912
	September 2010:	\$ 31,274
	Total	\$1,707,321

Regulatory Assets Account Balance

of September 30, 2010 the balance in deferral account related to Cat Lake is **358,915.**

Operations

Operations were normal with no significant events during the three-month reporting period, with one storm-related outage.

On August 30, 2010 (16:20 EST), Cat Lake experienced an outage lasting nearly 17 hours. A storm downed a tree which impacted the main line feeding the community. The crew was unable to fly into

the area that evening because of insufficient remaining daylight, so a helicopter flight was arranged for 6:00 a.m. the next morning and power was restored by 9:15 a.m.

The breaker charger motor involved in the July 2, 2010 outage (reported in our July status update) was temporarily repaired on July 3rd and the installation of a new charger motor has been completed.

Planned Work and Further Reporting

Since assuming the first interim licence to serve Cat Lake, in July of 2006, and in light of the short three-month terms of each interim licence, Hydro One has taken a conservative approach in operating and maintaining the systems serving the community. This conservative approach has been more reactive (“break-fix”) than proactive, focusing mostly on corrective work and on the more urgent preventative work. However, with the aging of Cat Lake’s Distribution and Transmission assets, their increasing maintenance requirements, and the reliability issues due to the long restoration times, it is Hydro One’s view that certain work can no longer be deferred. This work was identified as part of a one- to two-year outlook. Some of the work activities and investments that are planned for Cat Lake are listed below, along with ballpark cost estimates, where travel costs are a large component:

1. Vegetation management work on the local distribution lines within the Cat Lake community, required for “make-safe” purposes [\$100,000].
2. Major Forestry Work on the main 115 kV line (tapped off E1C) feeding the community, which will rely on employing local resources for the Brush Work component [\$1 million].
3. Construction of a “Hydro House” to accommodate staff from outside the community. This facility would be similar to those used by Hydro One Remote Communities Inc. in serving its customers. It will allow crews to more readily address work that requires longer stays in the community (and hence overcome the constraints posed by daylight-only helicopter flights) [\$250,000].
4. Restocking of depleting parts inventory [\$300,000].
5. Purchase and deployment in the Community of surplus Transport and Work Equipment. At present, Hydro One only has a single 6x6 ATV in the community [\$14,000].
6. Cat Lake distribution station work which will include: upgrading of existing communications equipment, more frequent site and equipment inspection visits, installation of bypass fuses and relocation of station service transformer for improved reliability, weed control [\$430,000].

All the listed investments are expected to improve reliability, restoration times and worker and public safety.

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 serving “connected remote communities” and is interested in resuming discussions with the OEB and Government on the options for doing so.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank