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BY COURIER

April 15, 2011

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-2011-0108: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the April 21, 2011 expiry 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 all transmission assets owned by the Cat Lake Public Utility to be distribution assets and issuing 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, 2011 (EB-2011-0012)

This progress report updates the report that Hydro One filed on January 14, 2011. It covers the Cat Lake utility activities to date and provides financial results until March 31st, 2011.

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 31st, 2011 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 886,827
OM&A:	\$ 841,698
Cost of Energy:	\$ 967,395
Interest Cost:	<u>\$ 28,067</u>
Total	\$ 2,723,986

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 2011. The total amount invoiced was approximately \$471,959. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 24,039
Overdue 22-59 days:	\$ 18,238
Overdue 60-119 days:	\$ 36,354
Overdue 119+ days:	<u>\$ 393,328</u>
Total	\$ 471,959

As at March 31st, 2011 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 December 2010:	\$ 446,712
January 2011:	\$ 32,047
February 2011:	\$ 19,195
March 2011:	\$ 77,876
Total	\$1,997,884

Regulatory Assets account balance

As of March 31st, 2011 the balance in the deferral account related to Cat Lake is **\$726,102.**

Operations

One significant event impacted Cat Lake during this reporting period: A loss of supply from the 115kV circuit E1C which lasted 26 hours. It was caused by a broken cross-arm that was scheduled for replacement in 2012. The 26 hour outage duration was attributed to the long distance (100 km from Ear Falls) to the repair location; the late start time of the outage (3:26 PM on March 16th) and the foggy conditions which prevented the use of a helicopter.

Planned Work and Further Reporting

As mentioned in previous status reports, the following work activities and investments are planned for Cat Lake. The project status is also included below.

1. **Vegetation Management work** on the local distribution lines within the Cat Lake community required for “make-safe” purposes [\$100k]. **Status:** Patrols to ensure remediation of immediate vegetation issues were completed in fall 2010.
2. **Major Forestry work** under the lines serving the community, which will rely on employing local resources for the Brush Work component [\$1 million]. **Status:** Line clearing work on the 115 kV line section is complete. For the distribution lines, negotiations are underway to enable spring 2011 contract with First Nations for clean up of line clearing and cutting of brush.
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. [\$250k] **Status:** Assessing the cost effectiveness and feasibility of lease opportunities at Cat Lake.
4. **Restocking of depleting inventory** [\$300k] **Status:** Creating a list of materials to order.
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. [\$14k] **Status:** Obtained an RBD (Reel Boom Derrick) and securing quotes for the ATV.
6. **Cat Lake distribution station work** including upgrading existing communications equipment as well as installing bypass fuses and relocating a station service transformer for improved reliability and weed control [\$430k].
Status: New RTU’s were commissioned and placed into service in March to restore permanent satellite communications to Cat Lake.

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.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank