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BY COURIER

July 15, 2011

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-2011-0267 Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on April 21, 2011) 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 April 21, 2011 (EB-2011-0108).

This progress report updates the report that Hydro One filed on April 14, 2011. It covers the Cat Lake utility activities to date and provides financial results until June 30th, 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 June 30th, 2011 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 912,167
OM&A:	\$ 883,631
Cost of Energy:	\$ 998,139
Interest Cost:	<u>\$ 28,542</u>
Total	\$ 2,822,479

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 of 2011. The total amount invoiced at that time, was approximately \$394,924. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 38,969
Overdue 22-59 days:	\$ 20,939
Overdue 60-119 days:	\$ 41,813
Overdue 119+ days:	<u>\$ 293,203</u>
Total	\$ 394,924

As at June 30, 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 to March 2011	\$ 129,118
April 2011	\$ 31,352
May 2011	\$ 154,985
June 2011	<u>\$ 19,929</u>
Total	\$2,204,150

Regulatory Assets account balance

As of June 30th, 2011 the balance in the deferral account related to Cat Lake is **\$ 639,571**.

Operations

A forest fire has caused an outage, initiated on July 10th, with damage to a large number of our Transmission Line structures. Hydro One initially had been prevented access to the area by MNR until they deemed it safe to enter. At this juncture access has been granted and we anticipate having to replace approximately 80 structures. Detailed inspections and emergency structure replacement have begun, with a forecasted ETA for service restoration of July 18th. Further details will be provided in our August Operational update.

Planned Work and Further Reporting

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** [\$100k]. **Status:** Complete
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 still underway to enable a 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:** Still 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. Material list is being compiled and ordered – to date no costs have been incurred, but they will be by Q4 of 2011.
5. **Purchase and deployment in the Community of 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. – RBD was brought into Cat Lake on winter roads this year – costs have been redistributed to the work order in June, ATV is still being secured and costs will be incurred over the next year.
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 RUTH GREEY

Ruth Greey