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BY COURIER

October 14, 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-2011-0364 Status Report on Operations of Cat Lake**

Hydro One is providing this update to the Board in advance of the expiry (on October 21, 2011) of the current Interim Distribution License 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 license 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 license ED-2006-0181, and has extended it for consecutive 3-month terms, most recently on July 21, 2011 (EB-2011-0267).

This progress report updates the report that Hydro One filed on July 15, 2011. It covers the Cat Lake utility activities to date and provides financial results until September 30, 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 September 30, 2011 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 855,633
OM&A:	\$ 1,005,550
Cost of Energy:	\$ 1,080,507
Interest Cost:	<u>\$ 33,991</u>
<b>Total</b>	<b>\$ 2,975,681</b>

***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 2011. The total amount invoiced at that time, was approximately \$413,622. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 18,018
Overdue 22-59 days:	\$ 16,924
Overdue 60-119 days:	\$ 44,222
Overdue 119+ days:	<u>\$ 334,458</u>
<b>Total</b>	<b>\$ 413,622</b>

As at September 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 June 2011	\$335,385
July 2011	\$17,779
August 2011	\$30,982
September 2011	<u>\$18,173</u>
<b>Total</b>	<b>\$2,271,084</b>

***Regulatory Assets account balance***

As of September 30, 2011 the balance in the deferral account related to Cat Lake is **\$ 704,597.**

## ***Operations***

On July 10<sup>th</sup>, a forest fire 90 kilometers north of Ear Falls engulfed and tripped the Ear Falls x Musselwhite 115 kV circuit at 3:13 p.m. Extensive damage resulted and supply was interrupted to Cat Lake and other customers. A helicopter patrol determined 40 wooden structures burned to the ground, and a further 40 structures were damaged and required replacement along a 13 km stretch of the circuit. On the afternoon of July 12<sup>th</sup>, the first Hydro One crews were granted access to a portion of the circuit by the Ministry of Natural Resources (MNR) and began bringing in material and equipment. The MNR controls access as long as “hot spots” and a risk to personnel exist. By July 14<sup>th</sup>, crews replaced about 30 poles and service was restored on July 15<sup>th</sup>.

On July 17<sup>th</sup>, the 115 kV Ear Falls x Musselwhite circuit was once again impacted by forest fire activity and was removed from service at 11:58 p.m. interrupting Cat Lake and other customers. The forest fire returned with shifting winds and destroyed at least fourteen more structures. The MNR granted Hydro One permission to stage crew and material near the damage site. During the afternoon of July 21<sup>st</sup> MNR gave Hydro One permission to access the damage and begin repairs. The circuit was returned to service late on July 22<sup>nd</sup>

On August 16<sup>th</sup>, Cat Lake customers were interrupted for 19.5 hours starting at 16:30. It appeared that a cable tray cover was blown into the conductors during a storm. A tornado warning had been issued for a brief period that day by Environment Canada for the Dryden area.

## ***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 Status:** Complete **Total funds spent:** \$59.5k
2. **Major Forestry work** under the lines serving the community, which will rely on employing local resources for the Brush Work component. **Status:** Line clearing work on the 115 kV line section is complete. Line clearing and brush cutting for distribution lines within the reserve community have been completed. Brush control on distribution and transmission lines and line clearing work on distribution lines will be conducted over two years starting in 2012. [\$2M spent to date]
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:** Options have been evaluated and it has been decided to proceed with securing the Hydro House.
4. **Restocking of depleting inventory** [\$300k] **Status:** No update.

**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:** No update.

**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:** Upgrading communications equipment completed. No updates for bypass fuse installations and station service transformer relocation.

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