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BY COURIER

January 18, 2012

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-2012-0016 Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on January 20, 2012) 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 October 21, 2011 (EB-2011-0364).

This progress report updates the report that Hydro One filed on October 14, 2011. It covers the Cat Lake utility activities to date and provides financial results until December 31, 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 December 31, 2011 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 878,173
OM&A:	\$ 1,073,210
Cost of Energy:	\$ 1,160,889
Interest Cost:	<u>\$ 36,604</u>
Total	\$ 3,148,875

Tracking of revenue

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in December of 2011. The total amount invoiced at that time, was approximately \$431,375. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 33,898
Overdue 22-59 days:	\$ 18,687
Overdue 60-119 days:	\$ 30,728
Overdue 119+ days:	<u>\$ 348,062</u>
Total	\$ 431,375

As of December 31, 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 September 2011	\$402,317
October 2011	\$9,320
November 2011	\$64,336
December 2011	<u>\$12,496</u>
Total	\$2,357,236

Regulatory Assets account balance

| As of December 31, 2011 the balance in the deferral account related to Cat Lake is **\$ 791,639**.

Operations

Operations were normal with no significant events during the three-month reporting period.

Planned Work and Further Reporting

The major 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 local distribution lines within the Cat Lake community. **Total funds spent:** \$59.5k. **Status:** Complete
2. **Major Forestry work** under the lines serving the community, which will rely on employing local resources for the Brush Work component. [\$2M est.] **Status:** Work is underway with major work to begin during 2012.
3. **Construction of a “Hydro House”** to accommodate staff from outside the community. [\$250k est.] **Status:** Options have been evaluated and it has been decided to proceed with construction, timing unknown.
4. **Restocking of depleting inventory** [\$300k est.] **Status:** Listing of materials has been compiled and it is anticipated that materials will be ordered in the first quarter of 2012.
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. **Status:** ATV [\$14k est.] has been sourced but not yet purchased.
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 [\$1M est.]. **Status:** Upgrading communications equipment completed. Scope of work and estimates are being prepared for the other work. It has also been identified that the original diesel generator needs to be overhauled and a maintenance plan established to ensure availability when required (for planned or emergency backup).

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