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BY COURIER

July 17, 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-2012-0315: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on July 23, 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 April 23, 2012 (EB-2012-0208).

This progress report updates the report that Hydro One filed on April 18, 2012. It covers the Cat Lake Utility activities to date and provides financial results until June 30, 2012.

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 30, 2012 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$ 927,754
OM&A:	\$ 1,545,903
Cost of Energy:	\$ 1,373,422
Interest Cost:	<u>\$ 43,749</u>
Total	\$ 3,890,828

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 2012. The total amount invoiced at that time, was approximately \$501,941. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-21 days):	\$ 70,968
Overdue 22-59 days:	\$ 40,312
Overdue 60-119 days:	\$ 30,275
Overdue 119+ days:	<u>\$ 360,386</u>
Total	\$ 501,941

As at June 30, 2012 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 December 2011	\$488,469
January to March 2012	\$81,324
April 2012	\$5,534
May 2012	\$158,702
June 2012	<u>\$157,990</u>
Total	\$2,760,786

Regulatory Assets account balance

As of June 30, 2012 the balance in the deferral account related to Cat Lake is \$ **1,130,042**.

Operations

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

Planned Work and Further Reporting

Some of the work activities and investments that are planned for Cat Lake are listed below, along with cost estimates (travel costs are a large component):

1. **Major Forestry work** under the lines serving the community. [\$2M] **Status:** Approximately \$380k has been spent in 2012, involving mobilizing equipment and beginning the distribution line clearing along the corridor between the Station and the community and 40km of line clearing. The remaining 35km will be completed in spring of 2013. Brush clearing of both the Transmission and Distribution lines is scheduled to be complete by the spring of 2014.
2. **Cat Lake distribution station work:** upgrading existing communications equipment, installing bypass fuses, refurbishment of a circuit switcher, relocating a station service transformer and weed control for improved reliability [\$1M]. **Status:** Upgrade of communications equipment was completed in 2011. The current Station Design has no redundancy and any work to refurbish or change the configuration will require an outage. The original diesel generator is planned to be decommissioned and removed from site. A solution has been put forward to mitigate reliability issues. A detailed estimate is being put together along with a tentative timetable for 2013.
3. **Construction of a “Hydro House”** to accommodate staff from outside the community. [\$250k] **Status:** Purchase of land being investigated.
4. **Restocking of depleting inventory [\$300k] Status:** Listing of materials has been compiled.
5. **Purchase and deployment in the Community of Transport and Work Equipment.** **Status:** An ATV has been sourced but is yet to be purchased.

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