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BY COURIER

April 12, 2013

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-2013-0097: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry (on April 23, 2013) 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 January 24, 2013 (EB-2013-0005).

This progress report updates the report that Hydro One filed on January 15, 2013. It covers the Cat Lake utility activities to date and provides financial results until March 31, 2013.

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 31, 2013 the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

| | |
|-----------------|---------------------|
| Capital: | \$ 1,365,491 |
| OM&A: | \$ 2,513,487 |
| Cost of Energy: | \$ 1,627,965 |
| Interest Cost: | <u>\$ 59,416</u> |
| Total | \$ 5,566,359 |

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 2013. The total amount invoiced at that time, was approximately \$549,795. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

| | |
|----------------------|-------------------|
| Current (0-21 days): | \$ 136,604 |
| Overdue 22-59 days: | \$ 13,154 |
| Overdue 60-119 days: | \$ 27,097 |
| Overdue 119+ days: | <u>\$ 372,940</u> |
| Total | \$ 549,795 |

As at March 31, 2013 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 December 2012 | \$ 566,363 |
| January 2013 | \$ 11,388 |
| February 2013 | \$ 45,913 |
| March 2013 | <u>\$ 20,251</u> |
| Total | \$3,001,151 |

Regulatory Assets account balance

As of March 31, 2013 the balance in the deferral account related to Cat Lake is **\$ 2,565,208**.

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 ballpark cost estimates where travel costs are a large component:

1. **Major Forestry work** under the lines serving the community. [\$2M] **Status:** Approximately \$810k has been spent in the first quarter of 2013, bringing the total to approximately \$1,295k since the beginning of 2012. The remaining 36km of Distribution Line Clearing has been completed; the entire Transmission Brush Clearing was completed (54ha); 33km of Distribution Brush clearing was also completed. The remaining 43km of Distribution Brush clearing is scheduled to be complete by the spring of 2014.
2. **Construction of a “Hydro House”** to accommodate staff from outside the community. [\$250k] **Status:** Options have been evaluated and it has been decided to proceed with securing the Hydro House.
3. **Restocking of depleting inventory** [\$300k] **Status:** Listing of materials has been compiled. Approximately \$20k has been spent on materials.
4. **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:** ATV has been sourced but is yet to be purchased.
5. **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 by Cat Lake FN. A ballpark estimate of \$300k was provided to mitigate the issues noted above; a clear scope is being developed to allow refurbishing the Station in 2013.
6. **Connecting a new community school to the distribution system:** Hydro One Networks spent \$325,000 to date, on a work program to connect a new school to the distribution system.

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 ALLAN COWAN

Allan Cowan