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BY COURIER

January 14, 2016

Ms. Kirsten Walli
Board 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-2016-0009: Status Report on Operations of Cat Lake

Hydro One is providing this update to the Board in advance of the expiry on January 23, 2016 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 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 October 23, 2015 (EB-2015-0282). Hydro One Remote Communities Inc. ("Remotes") still expects to file a MAADs application to include Cat Lake in Remotes' service territory, as noted by the Board in its Decision and Order in Remotes' 2013 rate application (EB-2012-0137), once an agreement with the community has been reached and required government approvals have been secured.

This progress report updates the report that Hydro One filed on October 14, 2015. It covers the Cat Lake utility activities to date and provides financial results until December 31, 2015.

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, 2015, the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$1,104,514
OM&A:	\$4,100,141
Cost of Energy:	\$2,808,658
Interest Cost:	\$186,685
Total	\$8,199,998

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 2015. The total amount invoiced at that time was approximately \$1,325,668. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$103,424
Overdue (40-69 days):	\$41,009
Overdue (70-89 days):	\$51,429
Overdue (90+days):	\$1,129,806
Total	\$1,325,668

As of December 31, 2015, 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 to December 2013	\$298,490
January to December 2014	\$234,072
January to December 2015	\$398,986
October 2015	\$20,862
November 2015	\$48,001
December 2015	\$20,407
Total	\$3,944,415

Regulatory Assets account balance

As of December 31, 2015 the balance in the deferral account related to Cat Lake is \$4,255,583.

Operations

Operations were normal with no significant events during the three-month reporting period (October – December 2015).

Planned Work and Further Reporting

Below are updates to previously planned but incomplete work and other reporting items for Cat Lake:

1. **Restocking of depleting inventory** [\$300,000] Discussion with Remotes planned regarding what material is required going forward. Status (Unchanged).
2. **Cat Lake MTS upgrade work:** Hydro One plans to remove an idle T3 transformer as required by regulations. Other required work includes making high voltage fuses more accessible to facilitate fuse changes by workers without bucket trucks, removing a high voltage circuit switcher that is no longer functional and supported by the manufacturer, installing a new station service transformer upstream of the low voltage breaker, and replacing station batteries and rectifier. The work was originally scheduled for the first quarter of 2016 but poor ice road conditions will likely delay this work by a year. Work to create new drawings and order equipment for the above upgrades began in in the fourth quarter of 2015 and is ongoing.
3. **Revenues:** The values in overdue amounts continue to reflect the impact of the suspension of Hydro One's collections program for substantial periods in 2013 and 2014. Although the collections program has been reactivated since it was temporarily deactivated in 2014, the implementation has been conservative, to ensure that the process is sound and addresses the appropriate customers.

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 SEUNG-YOON L. LEE

Seung-Yoon L. Lee