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Director
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BY COURIER

January 10, 2017

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-2017-0002: Status Report on Operations of Cat Lake

Hydro One Networks Inc. ("Hydro One") is providing this update to the Board in advance of the expiry on January 24, 2017 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 three-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 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 three-month terms, most recently on October 24, 2016 (EB-2016-0295). 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 7, 2016. It covers the Cat Lake utility activities to date and provides financial results until December 31, 2016.

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, 2016, the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

Capital:	\$1,412,274
OM&A:	\$4,266,018
Cost of Energy:	\$3,346,747
Interest Cost:	\$235,085
Total	\$9,260,123

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 2016. The total amount invoiced at that time was approximately \$1,735,229. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

Current (0-39 days):	\$142,797
Overdue (40-69 days):	\$44,863
Overdue (70-89 days):	\$32,946
Overdue (90+days):	\$1,514,622
Total	\$1,735,229

As of December 31, 2016, 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	\$488,254
January to December 2016	\$312,226
Total	\$4,256,641

Regulatory Assets account balance

As of December 31, 2016 the balance in the deferral account related to Cat Lake is **\$5,003,482**.

Operations

Operations were normal with no significant events during the three-month reporting period (October - December 2016).

Planned Work and Further Reporting

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

1. **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. This work can only be done in the winter when an ice road is established so this work is on hold until the winter of 2017. Work to create new drawings and order equipment for the above upgrades began in the fourth quarter of 2015 and is now complete.

2. **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. Hydro One reactivated its collections program since temporarily deactivating it in 2014.

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.

Should you have any questions on this update, please contact Yoon Kim at (416) 345-5228 or via email at Yoon.Kim@HydroOne.com.

Sincerely,

ORIGINAL SIGNED BY IAN MALPASS

Ian Malpass