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Director, Regulatory Initiatives, Compliance and Support

BY COURIER

January 10, 2019

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-2018-0310 - 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, 2019 of the current Interim Distribution Licence 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 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 assumed possession and control of the assets covered by this order at 12:01 a.m. on August 14, 2006. The Board has subsequently amended the interim electricity distribution licences ED-2006-0181, and most recently extended it for a six-month term on July 25, 2018 (EB-2018-0193). 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. Discussions with the community are ongoing in this regard.

This progress report updates the report that Hydro One filed on July 10, 2018. It covers the Cat Lake utility activities to date and provides financial results until December 31, 2018.

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, 2018, the total costs recorded since taking possession and control are as follows:

Cumulative Costs incurred by Hydro One for Cat Lake

| | |
|-----------------|---------------------|
| Capital: | \$3,510,072 |
| OM&A: | \$4,731,376 |
| Cost of Energy: | \$4,642,126 |
| Interest Cost: | \$427,849 |
| Total | \$13,311,423 |

Tracking of Revenue

As of December 31, 2018, 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 |
| January to December 2017 | \$576,204 |
| January to December 2018 | \$265,595 |
| Total | \$5,098,440 |

Bills have been issued to customers on a monthly basis, with the most recent bills in the reporting period issued in December 2018. The total outstanding amount invoiced at that time was approximately \$1,884,763. This amount includes HST, arrears, and late payment charges where applicable. The issued bills include the following amounts:

| | |
|-----------------------|--------------------|
| Current (0-39 days): | \$88,467 |
| Overdue (40-69 days): | \$40,876 |
| Overdue (70-89 days): | \$25,193 |
| Overdue (90+days): | \$1,730,227 |
| Total | \$1,884,763 |

Regulatory Assets Account Balance

As at December 31, 2018 the balance in the deferral account related to Cat Lake is **\$8,212,983**.

Operations

Operations were normal with no significant events during the reporting period (July – December 2018):

Planned Work and Further Reporting

There is currently no planned development/sustainment work to be completed at Cat Lake.

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 JEFFREY SMITH

Jeffrey Smith