

Sioux Lookout Hydro Inc.
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January 19, 2009

VIA E-MAIL

PIAC
Michael Buonaguro
Counsel for VECC
One Nicholas Street, Suite 1204
OTTAWA, ON KIN 7B7

**Re: Sioux Lookout Hydro Incorporated
Response to VECC Interrogatories
Board File Number EB-2008-0212**

Dear Mr. Buonaguro:

Please find attached Sioux Lookout Hydro Inc.'s response to VECC Interrogatories.

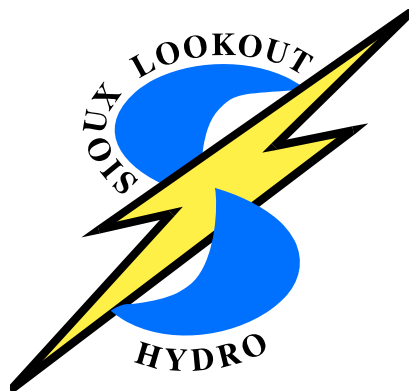
If there are any questions or concerns, please do not hesitate to contact me at (807)737-3800, or via email at slhydro@tbaytel.net.

Yours truly,

Deanne Kulchyski
Financial & Regulatory Affairs Officer

Cc/ Kirsten Walli, Board Secretary, Ontario Energy Board

Encl/



RESPONSE TO VECC INTERROGATORIES

EB-2008-0212

JANUARY 19, 2009

**SIOUX LOOKOUT HYDRO INCORPORATED
25 FIFTH AVENUE, P.O. BOX 908
SIOUX LOOKOUT, ON P8T 1B3**



Response to VECC Interrogatories
2009 Incentive Regulation Mechanism Rate Application
Sioux Lookout Hydro Inc.
EB-2008-0212

Question #1

Reference: Sioux Lookout, Cost Allocation Adjustment and 3GIRM Supplementary Model

- a) Please indicate the revenue to cost ratios for each customer class as approved for in the 2008 Rate Order.
- b) With respect to the Cost Allocation Adjustment model, please explain how the proposed revenue allocation proportions in column F were determined?
- c) In the case of the Street Lighting class please reconcile the change in the revenue allocation percentage (3.72%/1.65%) with the change in the revenue to cost ratio from 2008 to 2009.
- d) Please confirm how the “cost” of the transformer ownership allowance was allocated and recovered in Sioux Lookout’s 2008 Rate Order.

Response

- a) The revenue to cost ratios that were approved in the 2008 Rate order are:

2008 Revenue to Cost Ratio	
	As Submitted in Sioux Lookout's 2008 Draft Rate Order Application
Residential	95.9%
GS < 50	95.1%
GS > 50	164.2%
Street Lighting	23.3%
USL	94.7%



The explanation of why the values in the OEB 's 3GIRM Supplementary model differ was explained in the response to Board Staff interrogatories submitted on December 23, 2008.

b) The revenue allocation proportions in column F were determined as follows:

Residential: As Calculated based on the 3GIRM Supplementary Model: Ratio Adjusted % Revenue -Column R. This was left the same because the total Revenue to cost ratio is less than 100%.

General Service < 50: As Calculated on the 3GIRM Supplementary Model: Ration Adjusted % Revenue – Column R. This was left the same because the total Revenue to cost ratio is less than 100%.

General Service > 50: In order to reduce the percentage of over-allocation of costs determined by the OEB Supplementary Model, the allocated revenue was decreased by the same amount that the allocated revenue was increased in the Street Lighting Class to reduce the amount over-allocated.

USL: As Calculated based on the 3GIRM Supplementary Model: Ratio Adjusted % Revenue -Column R. This was left the same because the total Revenue to cost ratio is less than 100%.

Street Lighting: In the OEB's Decision and Order dated September 11, 2008, page 22, the Board ordered Sioux Lookout Hydro to move the revenue to cost ratio to the lower end of the target range, which is 70%, in equal increments over three years($70/3 = 23.34\%$). The resulting 3.72% is the second incremental adjustment, the first being applied for in the 2008 rates.

c)The change in revenue allocation percentage ($3.72\%/1.65\%$) is reconciled with the change in the revenue to cost ratio of 23.3% in 2008 to 49.9% as per the OEB's decision issued on September 11, 2008. The percentage of street lighting expenses to total expenses was 7.4%. Therefore 1.65% of 7.4% is a 22.29% revenue to cost ratio and 3.72% of 7.4% is 50.27%. Any differences from the 23.3% and 49.9% can be explained due to rounding.

d) The "cost" of the transformer ownership allowance was allocated to the General Service > 50 kW class and recovered through the distribution variable rate charge for the General Service > 50 kW class in the 2008 rate order.