

Sioux Lookout Hydro Inc.
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February 24, 2012

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

**Re: Sioux Lookout Hydro Inc.
Reply Submission
2012 IRM Electricity Distribution Rate Application
Board File No. EB-2011-0102**

Dear Ms. Walli:

Please find attached Sioux Lookout Hydro Inc.'s reply submission to the Board Staff Submission dated February 17, 2012.

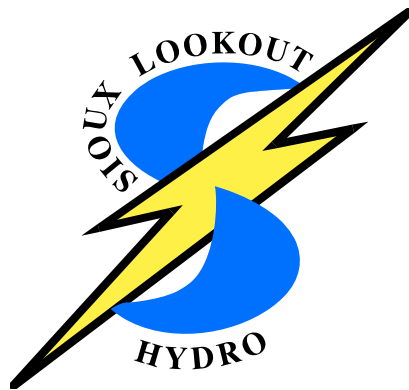
The complete document was submitted through the Board's web portal along with electronic (excel) copies of the applicable models and spreadsheets. Additionally, two hard copies will be sent to the Board on the next business day.

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.

Sincerely,

Deanne Kulchyski
Chief Financial Officer

Encl/



**REPLY SUBMISSION
2012 ELECTRICITY DISTRIBUTION
IRM RATE APPLICATION**

**ED-2002-0514
EB-2011-0102**

February 24, 2012

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



INTRODUCTION

Sioux Lookout Hydro Inc.(SLHI) received the Board Staff Submission from the Ontario Energy Board on February 17, 2012 based on their review of the evidence submitted by SLHI.

This response addresses the continuation of the Smart Meter Funding Adder and the disposition of Account 1562 Deferred PILs.

SMART METER FUNDING ADDER

Board staff provided two options for the Board to consider if it decides to approve the continuation of SLHI's smart meter adder beyond April 30, 2012.

SLHI prefers Option 2, to establish a termination date of April 30, 2013. As stated by Board Staff, SLHI will be filing a cost of service application for the 2013 rate year and feels that option 1, to extend the termination date to October 31, 2012 to allow sufficient time for the utility to prepare and file an application for the final disposition, may result in unnecessary rate fluctuations if the stand alone application were not approved by that date. SLHI notes from experience that there are often circumstances that lead to delays in filing or receiving decisions on matters needing approval by the Board. Therefore, Option 1 would undoubtedly provide better continuity for the customer.

Board staff also suggested that the SMFA be reduced from \$2.91 to \$2.50/month per metered customer or some lower amount. SLHI has no issue with lowering the SMFA to \$2.50/month per metered customer. SLHI agrees with Board staff that reducing the adder, as opposed to discontinuing it, will decrease the risk of a credit SMDR while at the same time avoid a significant increase in the deferred revenue requirement to be recovered by the SMDR once the smart meter application for final disposition is approved.

PAYMENT IN LIEU OF TAXES – PILS 1562

SLHI agrees with Board staff's suggestion to pro-rate the PILs proxy from May 1, 2002 due to SLHI's late implementation of the 2002 rates.

SLHI also agrees with Board Staff's amended amounts to be credited to customers of \$143,461 which includes a principle credit balance of \$115,327 and credit interest carrying charges of \$28,134.

Please see Appendix A for the calculation of the revised Proxy amount with start date May 1, 2002.

Please see Appendix B for the revised Carrying Charge Calculation.

Please see Appendix C for the revised Continuity Schedule.



APPENDIX A

Sioux Lookout Hydro Inc. PILs Proxy Calculations

PILs proxy	2001	39,439
PILs proxy	2002	123,953
Combined proxy		<u>163,392</u>
	12	<u>13,616</u>
May 1, 2002 to March 31, 2004	# of Months	23
Proxy for 23 months		<u>313,168</u>
May 1, 2002 to Dec. 31, 2002		8
		<u>108,928</u>



APPENDIX B

Sioux Lookout Hydro Inc. PILs Variance #1562 Carrying Charges Calculation

	01/1 0/20	01/01/20 01	01/01/2003	01/01/2004	01/01/2005	01/01/2006	01/05/2006	01/01/2007	01/01/2008	01/01/2009	01/01/2010	01/01/2011	01/01/2012
	31/1 2/20	31/12/20 01	31/12/2003	31/12/2004	31/12/2005	30/04/2006	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	30/04/2012
Principal Balance	0	20,466	-13,191	-57,040	-112,786	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327
Carrying Charge	0	742	264	-2,546	-6,156	-2,461	-3,443	-5,452	-4,590	-1,312	-920	-1,695	-565



APPENDIX C

Sioux Lookout Hydro Inc.

Continuity Schedule - Account 1562

2001 to 2012

Year start:	01/10/2001	01/01/2002	01/01/2003	01/01/2004	01/01/2005	01/01/2006	01/05/2006	01/01/2007	01/01/2008	01/01/2009	01/01/2010	01/01/2011	01/01/2012
Year end:	31/12/2001	31/12/2002	31/12/2003	31/12/2004	31/12/2005	30/04/2006	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	30/04/2012
Principal Opening balance: # 1562	=	0	20,466	-13,191	-57,040	-112,786	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327
Board-approved PILs tax proxy from Decisions ⁽¹⁾	+/-	108,928	163,393	133,814	30,989	16,455							
PILS Proxy from April 1, 2005 - input 9/12 of amount	+/-				37,024			0	0	0	0	0	0
True-up Variance Adjustment Q4, 2001 ⁽²⁾	+/-	0						0	0	0	0	0	0
True-up Variance Adjustment ⁽³⁾	+/-							0	0	0	0	0	0
Deferral Account Variance Adjustment Q4, 2001 ⁽⁴⁾	+/-	0						0	0	0	0	0	0
Deferral Account Variance Adjustment ⁽⁵⁾	+/-							0	0	0	0	0	0
Adjustments to reported prior years' variances ⁽⁶⁾	+/-							0	0	0	0	0	0
PILs collected from customers - Proxy ⁽⁸⁾	-	-88,462	-156,604	-137,489	-79,100	-24,708		0	0	0	0	0	0
Principal Ending balance: # 1562		0	20,466	-13,191	-57,040	-112,786	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327	-115,327
Principal Opening balance: # 1562		0	0	742	1,006	-1,540	-7,696	-10,157	-13,600	-19,052	-23,642	-24,954	-25,874
Carrying charges ⁽⁷⁾	+/-	0	742	264	-2,546	-6,156	-2,461	-3,443	-5,452	-4,590	-1,312	-920	-1,695
Principal Ending balance: # 1562		0	742	1,006	-1,540	-7,696	-10,157	-13,600	-19,052	-23,642	-24,954	-25,874	-27,569