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December 19, 2013

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

**Re: Sioux Lookout Hydro Inc.  
2014 Electricity Distribution Rate Application  
EB-2013-0170  
Reply Submission**

Dear Ms. Walli:

Please find attached Sioux Lookout Hydro Inc.'s reply submission to Board Staff related to the above proceeding dated December 18, 2013.

These responses are being filed pursuant to the Board's e-Filing Services. Two hard copies of the responses will be delivered to the Board via registered mail.

If you require any further information, please do not hesitate to contact me at (807)737-3800 or via email at [dkulchyski@tbaytel.net](mailto:dkulchyski@tbaytel.net).

Sincerely,

Deanne Kulchyski, CGA, BComm(Hons)  
President/CEO

Encl/

**Sioux Lookout Hydro Inc.**  
**2014 Electricity Distribution Rates**  
**Reply Submission to Ontario Energy Board Staff Submissions**  
**EB-2013-0170**

## **Introduction**

Sioux Lookout Hydro Inc. (SLHI) filed an application (the “Application”) with the Ontario Energy Board on October 21, 2013 seeking approval for changes to rates that SLHI charges for electricity distribution, to be effective May 1, 2014. The Board assigned file number EB-2013-0170 to the Application.

SLHI would like to take this opportunity to make a Reply Submission in response to the issue raised in Board Staff’s final submission with respect to the Review and Disposition of Group 1 Deferral and Variance Account (DVA) Balances.

## **Review and Disposition of Group 1 Deferral and Variance Account (DVA) Balances**

Board Staff has recommended that the Board deny SLHI’s request to recover a debit balance of \$149,135 for Account 1595 (2010). SLHI disagrees with this recommendation and provides the following to support the decision to allow the amount in its claim:

1. The 2012 IRM Rate Generator included Account 1595 for 2008 and 2009. The amount entered into the row for 1595(2009) was the amount approved for disposition of Group 1 Accounts in 2010. This amount should not have been entered into the model as it was the reverse sum of the Group 1 Accounts 1550 to 1590 in the previous rows. The error occurred due to confusion with the model that had been revised from previous years and was found to be difficult to determine which amounts to include and which amounts were to be excluded with respect to Account 1595.

SLHI mistakenly assumed Account 1595 (2009) was to input amounts relating to 2009 variances, not to amounts that were approved for disposition **during** 2009. The fact that SLHI did not dispose of Group 1 Accounts during 2009 added to the misperception. In hindsight, these amounts should have been disclosed on a memo basis only since they related to the 2010 decision. In addition, there were no red flags with respect to the variances in what was reported in the RRR filing and the continuity spreadsheet, or balances not reported to the Board. SLHI would like to note that their accounting records reflect the correct balances.

SLHI submits that the sole responsibility for the error should not be placed on the company, nor should they be penalized \$149,000 for issues arising as a result of uncertainties due to the Board’s model and continuity schedules. SLHI suspects they are not the first to misinterpret what specific information is being requested for input into these models.

2. The above misinterpretation of what was 1595 (2009) and 1595 (2010), was in part responsible for Account 1595 (2010) being approved for disposition two times. First in the 2012 Decision (EB-2011-0102), labelled as 1595 (2009) and again in the 2013 decision (EB-2012-0165) labelled as 1595 (2010). The amount approved in the 2013 Decision for Account 1595 (2010) was not reduced by the amount approved in the 2012

EB-2011-0102. This amount was however included in the spreadsheet in the Memo section since at the time of the 2013 EDDVAR the rate rider for the 2012 Variances was still active. Therefore SLHI customers received twice the benefit of the credit they were entitled to for Account 1595 (2009/2010).

3. SLHI **disagrees** that this would constitute retroactive rate making as the continuity model does allow for disposition of balances within Account 1595 to capture residual amounts. SLHI feels that the amount in question does represent a residual balance due to differences in what was collected/refunded through rate riders and the balances approved for disposition, and should be allowed. This is not an adjustment to a final rate order.
4. The contested amount is not part of the revenue requirement and allowing it would in no way affect what SLHI charges or collects as a part of its distribution revenue. The Deferral and Variance Accounts are intended to allow LDC s to true-up what they collect and what they pay for costs related to Power, Wholesale Market Service Charges, Low Voltage Charges and Transmission and Connection Charges. The amounts previously approved for disposition in the Deferral accounts relating to these charges remain unchanged. As stated in item 3 above, SLHI feels that the \$149,135 balance should be treated as a residual amount which would allow the net income to remain unaffected and at the same time not adversely affect SLHI customers.
5. SLHI submits that there **would** be a significant financial impact should the amount of \$149,135 be expensed. SLHI's net income for 2012 was \$241K, and the 2013 regulated return is deemed to be \$219K as per EB-2012-0165. Reducing this by \$149K would place SLHI outside of the allowable deadband of +/- 3%. Conversely, if the amount is allowed there would be no undue hardships on SLHI's customers, and allow the over-refund to be corrected.
6. In SLHI's opinion, this issue cannot be compared to Board Staff's reference to past Decision EB-2013-022 as the error made by Veridian related to Smart Meters and would have affected the revenue requirement retroactively. This is not the case in this situation as stated in item 4.
7. The current Group 1 balances do not exceed the threshold requirement of \$0.001 per kWh (debit or credit) and therefore SLHI is not applying for disposition of said balances. Therefore there would be no impact on SLHI's customers' bills should the amount in question be allowed.

*All of which is respectfully submitted this 19<sup>th</sup> day of December 2013*