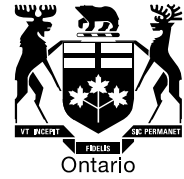


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BY E-MAIL

June 17, 2011

Mr. Gord Maki
President and CEO
Sioux Lookout Hydro Inc.
P.O. Box 908, 25 Fifth Ave.
Sioux Lookout ON P8T 1B3

Dear Mr. Maki:

**Re: 2012 Electricity Distribution Rates
Board File No. EB-2011-0102**

By letter dated March 1, 2011, the Board identified Sioux Lookout Hydro Inc. ("Sioux Lookout") as one of the distributors expected to file its 2012 rate application on a cost of service basis. The Board is in receipt of your letter dated March 10, 2011 requesting that Sioux Lookout be permitted to defer the rebasing of its rates beyond the 2012 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- Sioux Lookout's financial position, as shown in its audited financial statements and financial reporting to the Board;
- Sioux Lookout's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board; and
- Credit rating information obtained about Sioux Lookout.

Based on these considerations, the Board has concluded that it will not require Sioux Lookout's 2012 rates to be set on a cost of service basis. The Board will place Sioux Lookout on the list of distributors whose rates will be scheduled for rebasing for the 2013 rate year.

The Board expects Sioux Lookout to adhere to the process for 3rd generation incentive regulation distribution rate applications for the 2012 rate year as may be determined by the Board.

The Board has reserved file number EB-2011-0102 for Sioux Lookout's 2012 rate application. Please refer to this file number in all correspondence related to your 2012 rate application.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary