



Sioux Lookout Hydro Inc.  
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December 11, 2017

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

Dear Ms. Walli:

**Re: Sioux Lookout Hydro Inc. – 2018 Cost of Service Electricity Distribution Rate  
Application EB-2017-0073 – Response to Letter of Comment**

SLHI received a letter of comment dated November 8, 2017 and wishes to file a response.

In the letter it is stated that SLHI's application is an "opportunistic grab". Due to the timing of the application it may appear to the public as opportunistic. However, SLHI has been preparing this rate application for over a year, well before the announcement of the Ontario Fair Hydro Plan. As explained at the community meeting, SLHI last underwent a Cost of Service rate application for 2013 rates. SLHI is following the process where it is expected that Distributors file this type of application every five years, and therefore disagrees that it is opportunistic. This process sets out to rebase the company's assets and operating expenses to account for changes in the rate base or company structure that have occurred in the last five years as well as take into account forecasted expenditures outlined in the Distribution System Plan. As a small Local Distribution Company (LDC), SLHI has fewer customers to allocate costs to resulting in an increase that is most likely to be higher per customer than for medium or large LDCs.

A question on tendering out pole replacements was asked. SLHI confirms it would not be less expensive to hire contractors as SLHI has the skilled staff and equipment needed to perform this work. The pole replacement program will be ongoing. The purpose of the program is to spread out replacements over time in order to stabilize the amount of spending in each year to reduce large fluctuations in capital spending.

The equipment purchased in the past was funded either by debt or cash. The impact to the customer is through the working capital allowance and interest costs should debt be used. SLHI generally funds its capital projects through cash and short term debt to minimize the costs to customers. However, the line truck is outside of what we are able to fund ourselves and still

commit to our pole replacements and other capital projects for the year. Normally, our capital budget each year runs around \$300,000 which we pay for through our cash flow.

Finally, the rate of return to the Shareholder, or return on equity, is determined by the Ontario Energy Board and updated annually based on economic and market conditions. SLHI is mandated by its Shareholder to apply the maximum rate of return allowed by the Ontario Energy Board to its rates in order to provide them with the highest return

Sincerely,

*Original Signed by*

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