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BY EMAIL

February 10, 2012

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Orillia Power Distribution Corp.
2012 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2011-0191

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Orillia Power Distribution Corp. and to all other registered parties to this proceeding.

In addition please remind Orillia Power Distribution Corp. that its Reply Submission is due by February 21, 2012.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst, Applications & Regulatory Audit

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2012 ELECTRICITY DISTRIBUTION RATES

Orillia Power Distribution Corp.

EB-2011-0191

February 10, 2012

Board Staff Submission
Orillia Power Distribution Corp.
2012 IRM3 Rate Application
EB-2011-0191

Introduction

Orillia Power Distribution Corp. ("Orillia") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 28, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Orillia charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Orillia.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application models by Orillia. In response to Board staff interrogatories which requested either a confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the application, Orillia confirmed certain errors and provided the necessary corrections. Board staff will make the necessary corrections to Orillia's models at the time of the Board's Decision on the Application.

Board staff has no concerns with the data supporting the RTSR Workform proposed by Orillia with the exception of the proposed change in billing determinants, discussed below. Pursuant to Guideline G-2008-0001, updated on June 22, 2011, Board staff notes that the Board will update the applicable data at the time of this Decision based on the updated Uniform Transmission Rates.

Board staff makes detailed submissions on the following matters:

- Shared Tax Savings;
- Disposition of Group 1 Deferral and Variance Account Balances;
- Disposition of the Global Adjustment sub-account of Account 1588;
- Disposition of Account 1521 – SPC Variance;
- Retail Transmission Service Rates – Change in Billing Determinants;
- Lost Revenue Adjustment Mechanism ("LRAM") Claim; and

- Disposition of Account 1562 – Payments in Lieu of Taxes (PILs);

<u>Shared Tax Savings</u>

Background

Orillia completed the Tax-Savings Workform showing a 2011 tax sharing amount of $40,280 to be refunded to rate payers. Orillia proposed to refund the amount to rate payers using variable rate riders over a one year period. Amounts were allocated to each class based on distribution revenue.

Orillia's Tax-Savings Workform showed a corporate tax rate of 27.52% and regulatory taxable income of $904,437 for their last cost of service application (EB-2009-0273). When asked by Board staff, in Board staff interrogatory #3, to reconcile the data filed in the Tax-Savings Workform with the Board approved values in the rate order of Orillia's last cost of service application, Orillia acknowledged that their shared tax savings figure was in error.

Orillia provided an updated calculation of the shared tax amount based on 2010 taxable income of $1,190,200 and a combined tax rate of 28.85%. This resulted in a 2012 corporate tax rate of 23.41% and a 2012 shared tax amount of $32,382 to be refunded to customers.

Neither of Orillia's original filing, nor its updated amount in response to Board staff interrogatory #3 included any capital taxes as part of the 2010 total tax related amounts.

Submission

Board staff notes that the values used by Orillia in both of their shared tax savings amount calculations are inconsistent with the Board approved values present in the Revenue Requirement Workform ("RRWF") submitted with the draft rate order, dated March 22, 2010, in Orillia's last cost of service proceeding. Orillia's RRWF showed a total 2010 tax amount of $349,400 ($6,000 in capital taxes and $343,400 in income taxes), a corporate tax rate of 28.85% and regulatory taxable income of $846,747. Board staff populated the Tax-Savings Workform using the 2010 values from the RRWF and calculated a total tax related amount of $242,501 for 2012. This results in a credit variance of $106,899 ($242,501 minus $349,400), of which 50% ($53,450) should be refunded to rate payers. Board submits that Orillia should refund the $53,450 amount in shared tax savings to rate payers. In its reply submission, Orillia should confirm that the data identified by Board staff above and the updated calculations are correct. If Orillia is of the view that its updated proposal provided in response to Board staff interrogatory #3 is incorrect, Orillia should explain why. Board staff takes no issue with Orillia's method of allocation nor with Orillia's proposed recovery period of one year.

<u>Disposition of Group 1 Deferral and Variance Account Balances</u>

Background

Orillia's 2010 actual year-end balance for Group 1 accounts, excluding the Global Adjustment sub-account of account 1588, with interest projected to April 30, 2012 is a credit of $1,261,745. Orillia reports a debit balance of $576,746 in the Global Adjustment sub-account of account 1588. The total Group 1 Deferral and Variance account ("DVA") amount, excluding the Global Adjustment sub-account of 1588, results in a total credit claim of $0.00399 per kWh, which exceeds the preset disposition threshold. Orillia proposed to dispose of all Group 1 account balances at this time by means of a variable rate rider to be in effect for two years. DVA amounts were assigned to each class on the basis of billed kWh.

Orillia proposed a two-year period for the rate riders in order to provide a smoothing effect to customer bill impacts leading up to its next cost of service application (scheduled for 2013 rates). The projected bill impacts for customers, provided by Orillia, for rate riders using a one and two year recovery period are summarized for each class in the table below.

Rate Class	Disposition Over 1 Year	Disposition Over 2 Years
Residential	- 5.45 %	- 3.29 %
GS < 50 kW	- 4.12 %	- 2.09 %
GS 50 to 4,999 kW	- 3.78 %	- 1.73 %
Unmetered Scattered Load	- 4.63 %	- 2.16 %
Sentinel Lighting	- 7.12 %	- 3.39 %
Street Lighting	- 6.04 %	- 2.91 %

Orillia did not include the Global Adjustment sub-account of account 1588 when performing the threshold test. Orillia's proposal to dispose of balances in the Global Adjustment will be discussed in the section that follows.

Submission

Board staff has reviewed Orillia's Group 1 Deferral and Variance account balances and notes that the principal balances as of December 31, 2010 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*.

Board staff notes that the threshold methodology proposed by Orillia is not consistent with the EDDVAR Report. In the EDDVAR Report, the Board established a preset disposition threshold of $0.001 per kWh during the IRM plan term for all Group 1 accounts combined, including the Global Adjustment sub-account of account 1588. Board staff is of the view that a single threshold test should be applied to the total DVA balances, including the Global Adjustment sub-account of account 1588, regardless of the proposed method of disposition for each account.

Board staff notes that when the balance in the Global Adjustment sub-account of account 1588 is combined with the total Group 1 DVA balances, the resulting total credit claim is $ 0.002167 per kWh. This amount is still above the preset disposition threshold set by the Board in the EDDVAR report. As such, Board staff has no issue with Orillia's proposal to dispose of its DVA balances, as of December 31, 2010, at this time.

Board staff also takes no issue with Orillia's proposal to recover the Group 1 DVA balances over a period of two years. Staff notes that an almost 6% decrease in total bill as may be the case with the one year disposition scenario is a significant change during an IRM year. Given that the applicant may seek to file a stand alone smart meter application in 2012, a two year disposition of the December 31, 2010 DVAs appears reasonable in order to mitigate future rate fluctuations. Staff also notes that the bill impacts shown above include the refund of a credit balance of $370,403 for account 1562 Deferred PILs which will be discussed below.

Disposition of the Global Adjustment Sub-Account of Account 1588

Background

Orillia has proposed to dispose of a $576,746 debit balance in the Global Adjustment ("GA") sub-account using a variable rate rider of $0.0018 per kWh that will be in effect for two years and that is uniform to all applicable classes. The rate rider was calculated by dividing the $576,746 balance by the total non-RPP billed kWh for all classes combined.

Additionally, Orillia has proposed to dispose of the GA sub-account by way of a rate rider to be shown as an adjustment to the monthly Provincial Benefit line of its bills to non-RPP customers. Orillia indicated that it would ensure the rate rider would be clearly identified as a separate item on the customer's bill. Orillia based its proposal on the Board's prior decisions in Enersource's application for the disposition of Group 1 DVA balances (EB-2009-0405), Milton's 2010 IRM application (EB-2009-0204) and Milton's 2011 cost of service application (EB-2010-0137).

Orillia stated that it believed that the proposed treatment of the GA sub-account balance is more transparent and will result in a more equitable disposition of the balance than the methodology provided in the 2012 IRM Rate Generator Model.
In response to Board staff interrogatory #2(b), Orillia indicated that it believed its proposal is more equitable as it reflects the cost driver for the billed amounts. Orillia stated that it is billed for the GA by the IESO on a kWh basis and that it believes it is more equitable to bill customers for a particular service in a manner similar to the way in which costs associated with the charges are incurred.

When asked, in Board staff interrogatory #2(c), why Orillia felt that changing the billing determinant from kW to kWh for demand billed customers is more transparent when the majority of the other charges for customers in those classes are billed on kW basis, Orillia stated:

> It is more transparent to charge GS 50 kW to 4,999 kW customers on kWh basis for the reasons outlined in response to [Board staff interrogatory #2(b)]. In addition, it is also more transparent and equitable to charge GS 50 kW to 4,999 kW customers on kW for services such as distribution and

transmission since the cost driver associated with these services is demand (i.e. kW) not consumption (i.e. kWh). The distribution and transmission systems have been built to support a certain level of demand kW capacity. As a result, it is more fair and reasonable to charge customers for these services on a kW basis when the kW billing determinant information is available. On the other hand when the service provided has a cost driver based on kWh, then it should be charged to the customer on kWh basis when the kWh billing determinant is available. In the case of the GA, it should be charged to customer on a kWh in all cases since the cost driver associated with GA is kWh and the kWh billing determinant is available.

In response to Board staff interrogatory #2(a), Orillia confirmed that their billing system does allow for the GA rate rider to be included in the delivery line of their customers' bills.

On page 11 of the Manager's Summary, Orillia provided the following table showing the impact of the change in billing determinants on a group of GS 50 to 4,999 kW customers. Orillia indicated that while the proposed change in billing determinants would result in significant changes in amounts recovered from some individual customers the difference in overall amounts collected from the group is not material.

2010 Annual Billing Statistics	2010 Avg Annual Demand (kW)	2010 Consumption (kWh)	2012 IRM Generator Model Rate Rider (kW)	Proposed Rate Rider (kWh)	Annual Impact on Charges to Customer More (Less)
Customer 1	349	1,344,156	$2,881	$2,419	462
Customer 2	**4,343**	**14,740,297**	**$35,844**	**$26,533**	**9,311**
Customer 3	**2,353**	**13,345,159**	**$19,414**	**$24,021**	**(4,607)**
Customer 4	174	971,179	$1,438	$1,748	(310)
Customer 5	51	216,371	$419	$389	29
Customer 6	79	105,340	$654	$190	464
Customer 7	408	1,949,242	$3,364	$3,509	(144)
Customer 8	426	1,563,677	$3,517	$2,815	703
Customer 9	**1,685**	**11,666,791**	**$13,905**	**$21,000**	**(7,095)**
Customer 10	609	2,613,669	$4,770	$4,705	66
TOTAL FOR CUSTOMER GROUP			**$86,207**	**$87,329**	**(1,121)**

Submission

Board staff notes that the prevalent practice amongst distributors is to dispose of the GA sub-account by means of a separate rate rider applicable to non-RPP customers that is included in the delivery component of the bill. Decisions on most 2011 IRM Applications directed the GA Sub-Account rate rider to be included in the delivery component of the bill.

Orillia noted the Board's decision in Enersource's application for the disposition Group 1 DVA balances (EB-2009-0405) where the Board stated:

> In its original application, Enersource noted that it intends to include the 1588 global adjustment sub-account rate rider as an adjustment to the monthly Provincial Benefit line on the customer's bill.
>
> Board staff submitted that it has been the Board's practice to include deferral and variance account rate riders as part of the distribution charge.
>
> In its reply submission, Enersource stated that it would be more transparent to non-RPP customers to reflect the disposition on the Provincial Benefit line of the bill, insofar as that is the origin of the funds being disposed of. Furthermore, Enersource noted that its billing system is capable of applying a global adjustment rate rider to non-RPP customers via the Provincial Benefit Charge within its next billing cycle. To change its bills to be able to reflect different distribution rate riders within a rate class is a much more problematic process that would take at least 6 months to implement.

In Board staff's view the Decision in EB-2009-0405 provided for the recovery of the GA sub-account by way of the electricity component of the bill for non-RPP customers only in cases where the distributor could not readily accommodate a separate rate rider that would apply prospectively to non-RPP customers in the delivery component of the bill. In Enersource's subsequent application for the disposition of Group 1 DVA balances (EB-2011-0266), Enersource confirmed both during the interrogatory phase and in its reply submission that its billing system has been upgraded and can now facilitate the inclusion of the GA sub-account rate rider in the delivery line of the bill.

As Orillia's billing system is capable of including the GA rate rider on the delivery line of a non-RPP customer's bill, there is no compelling reason why the Board should treat Orillia differently from other distributors. Board staff submits that Orillia should adhere to the practice approved by the Board for other distributors and include the GA rate rider as part of the delivery line of non-RPP customers' bills.

Board staff is of the view that Orillia's proposal to use kWh as the billing determinant for the GA sub-account of account 1588 is inconsistent with the Board's policy, as defined by the EDDVAR report. By including the GA sub-account of account 1588 as a Group 1 account, Board staff is of the view that the Board intended for all Group 1 DVAs to be treated similarly in all aspects, including the method of disposition. While Board staff does not entirely disagree with Orillia's notion that a good rate setting principle is to charge a customer in a manner similar to which the charges were incurred, Board staff does not believe that the additional complexity involved with having different billing determinants for charges within a rate class is warranted.

Board staff notes that Hydro Ottawa (EB-2011-0054) is currently recovering GA sub-account balances using kWh as the billing determinant for all classes. As that approach was approved through a settlement agreement, the Board did not have the opportunity to opine on the issue directly.

Disposition of Account 1521 – SPC Variance

Background

Orillia originally requested the disposition of a debit balance of $596 in account 1521. In response to Board staff interrogatory # 7, Orillia confirmed that the balance requested for disposition included unaudited 2011 recoveries and carrying charges calculated to April 30, 2012.

Orillia proposed to recover the balance through the deferral and variance account rate rider calculated for the disposition of Group 1 Deferral and Variance Accounts, discussed above. Amounts were allocated to each class based on billed kWh to be refunded over a period of two years.

Submission

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. The balances in account 1521 in the application provided by Orillia are not audited. Board staff notes that the Board has approved the disposition of unaudited balances in account 1521 in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings.

Board staff has no concerns with the $596 debit balance in account 1521. Board staff notes that this balance includes the correct calculation of forecasted carrying charges extending to April 30, 2012. Board staff takes no issue with Orillia's proposal to include the balance in the Deferral and Variance Account rate riders calculated by Orillia to dispose of all DVAs proposed in this application nor with Orillia's method of allocating the balance to each class.

Retail Service Transmission Rate – Change in Billing Determinants

Background

On page 16 of the Manager's Summary, Orillia stated:

> [Orillia] prefers that any customer that is charged retail transmission network charges on a demand basis and the customer demand can be measured between 7 AM and 7 PM, then that customer should be charged retail transmission network charges on the customer's demand measured between 7 AM and 7 PM.

In response to Board staff interrogatory #1(e), Orillia stated:

> Orillia Power has used the Board's approach for calculating RTSR rates which uses historical billed demands to forecast the billing determinants used in calculating 2012 rates. Wholesale RTSR- Network Service for Orillia Power is charged by its host distributor using 7-7 demand. Orillia Power proposes to charge its approved RTSR-Network Service rate on the peak demand that occurs during the 7-7 demand period for these two classes, which is consistent with the approach at the time the RTSRs were originally established in 2001.

Orillia has proposed to expand the Board's definition beyond interval metered customers to all customers charged a demand rate for retail transmission network charges where the demand can be measured between 7 AM and 7 PM, regardless of meter type.

Orillia has also proposed to apply the same RTSR rates, as determined by the 2012 RTSR Adjustment Work Form it filed with the Application, to customers affected by this change in billing determinants. Orillia confirmed, in its response to Board staff interrogatory # 1(g) that only customers in the GS 50 to 4,999 kW and Street Lighting classes would be affected by the proposed change.

In response to Board staff interrogatory #1(a), Orillia provided the following tables for the GS 50 to 4,999 kW and Street Lighting classes summarizing: (i) the number of customers whose billing determinants would change, (ii) the aggregate change in billing determinants (in kW) for the class and (iii) the difference in total amount of funds collected from the class.

Retail Transmission Rates – Billing Determinants		
Question 1(a) - results annualized	**$/kW**	**GS 50 to 4,999 kW**
i. Number of customers currently billed on 7-7 - interval metered		25
i. Additional customers proposed to be billed on 7-7 when a smart meter is installed		142
ii. Aggregate change in kW billing determinant for the class, current 7-7 statistics		624
iii. Difference in total amount of funds collected from the class using 7-7 kW	1.7055	$1,064

Retail Transmission Rates – Billing Determinants		
Question 1(b) - results annualized	**$/kW**	**Street Lighting**
i. Number of customers currently billed on 7-7		1
ii. Aggregate change in kW billing determinant for the class		2,898
iii. Difference in total amount of funds collected from the class using 7-7 kW	1.2564	$3,641

In response to Board staff interrogatory #1(a), Orillia stated that it had applied for and received approval for Other Regulated Rates including Retail Transmission Rates effective May 1, 2001 which allowed for the use of the 7-7 billing determinant for interval metered customers. Orillia noted that the approved tariffs of rates and charges, effective May 1, 2006, replaced all previously approved tariffs of rates and charges and did not specify a network service rate for interval customers based on 7-7 demand. Orillia also stated:

> Orillia Power was not aware of the intent of the Board to discontinue the 7-7 billing for Orillia Power at that time and did not modify its billing setup to remove the network service charge 7-7 determinant.
>
> The cost driver for network charges billed to a customer of the transmitter or a host distributor is 7-7 demand and this has not changed. Orillia Power is billed as a customer based on 7-7 demand and has continued to bill its interval meter customers and its street light customer based on 7-7 demand.

Submission

The Board may wish to consider that Orillia's request is beyond the scope of an IRM application. Board staff notes that Orillia's proposal would be better suited for review as part of their next cost of service application in which all elements of a distributor's operations are reviewed.

Board staff makes the following comments in the event the Board decides that this issue is appropriately within the scope of an IRM application.

Orillia noted, in their response to Board staff interrogatory #1(a), that they have continued to bill interval meter customers and their street light customer based on 7-7 demand. Given that Orillia has continued to bill the Street Lighting class based on 7-7 demand, Board staff is unclear as to how any changes in billing determinants would arise, as projected by Orillia. The table provided by Orillia indicated an annualized aggregate increase in the billing determinant for the Street Lighting class of 2,898 kW. Board staff is also unclear, from a practical perspective, how the Street Lighting class would show an increase in demand between the hours of 7 AM and 7 PM when, when for the most part, street lights are not illuminated. Orillia may wish to clarify their response to Board staff interrogatory #1(a) in their reply submissions.

In its application, Orillia proposed to expand the use of 7-7 billing determinant from interval metered customers to all customers whose demand could be measured from 7 AM to 7 PM. In Orillia's response to Board staff interrogatory #1(a), Orillia indicated that it "was not aware of the intent of the Board to discontinue the 7-7 billing for Orillia Power." Board staff is not aware of any direction from the Board that would discontinue the use of the 7-7 billing determinant for interval metered customers. Orillia may wish to clarify its response to Board staff interrogatory #1(a).

Board staff notes that were the Board to approve Orillia's application, as filed, that a non-RPP customer in the GS 50 to 4,999 kW class might be subject to three separate billing determinants: (i) deemed 7-7 demand in kW for retail transmission network charges, (ii) billed kWh for GA sub-account disposition and (iii) billed kW for the remaining variable charges on the tariff. Given that Orillia has forecasted a minimal difference in billing determinants for the class under the proposed change in billing determinants, Board staff sees no reason to add such complexity for the sole reason of billing customers based on a slightly more accurate cost driver.

In the event the Board accepts that this issue is within the scope of an IRM application, subject to any clarifications to be provided by Orillia in its reply submissions, Board staff is not persuaded that Orillia's proposal would result in any material differences, at this time.

Lost Revenue Adjustment Mechanism ("LRAM") Claim

Background

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM recovery.

In its decision on Horizon's application (EB-2009-0192) for LRAM recovery, the Board also noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

Orillia Power originally sought to recover a total LRAM claim of $52,650, including carrying charges, over a one-year period. In response to Board staff interrogatories, Orillia Power updated its LRAM claim using the final 2010 OPA program results. Orillia Power's updated LRAM claim is $52,735, including carrying charges. The lost revenues include the persisting impacts of 2005-2009 CDM programs in 2010 and lost revenues from 2010 CDM programs in 2010.

Submission

Orillia requested the recovery of an LRAM amount that includes lost revenues for 2010 CDM programs in 2010, as well as the persisting impacts from 2006, 2007, 2008, and 2009 programs in 2010.

Board staff notes that Orillia's rates were last rebased in 2010.

In response to Board staff IR # 9(e), Orillia indicated that its 2010 Board-approved load forecast of 316 GWh did not include savings for CDM programs for the period 2006 to 2010. Orillia Power noted that the proposed load forecast in its 2010 cost of service application was 311 GWh. Orillia Power further indicated that the proposed forecast reflected the ongoing economic downturn and proposed CDM savings for CDM programs from 2006 to 2010. During the settlement process, these savings were eliminated. The Board approved the Settlement Agreement and the resulting load forecast of 316 GWh was used to determine the approved 2010 rates.

Board staff notes that the CDM Guidelines state the following with respect to LRAM claims:

> Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time[1].

Board staff also notes that in its Decision and Order on Hydro One Brampton's 2012 IRM application (EB-2011-0174), the Board disallowed LRAM claims for the rebasing year as well as persistence of prior year programs in and beyond the test year on the basis that these savings should have been incorporated into the applicant's load forecast at the time of rebasing.

In cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate.

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1 Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

Board staff notes that the fact that a load forecast was adjusted during settlement discussions, does not necessarily mean that no CDM savings are imputed in the final forecast approved by the Board. Orillia may want to highlight in its reply whether the issue of an LRAM application was addressed in its cost of service application.
In the absence of the above information, Board staff does not support the recovery of the requested 2010 lost revenues from 2010 CDM programs or the persisting lost revenues from 2006, 2007, 2008, and 2009 CDM programs in 2010 as these amounts should have been built into Orillia's last approved load forecast. As this makes up the total LRAM claim, Board staff is of the view that the Board should deny 100% of Orillia's claim.

Disposition of Account 1562 – Payments in Lieu of Taxes (PILs)

Background

The PILs evidence filed by Orillia in this proceeding includes tax returns, financial statements, Excel models from prior applications, calculations of amounts recovered from customers, SIMPIL[2] Excel worksheets and continuity schedules that show the principal and interest amounts in the account 1562 deferred PILs balance. In pre-filed evidence, Orillia applied to refund to customers a credit balance of $370,403[3] consisting of a credit principal amount of $335,922 plus related carrying charges projected to April 30, 2012 of $34,481.

Submission

Orillia experienced an operating loss for tax purposes in 2001. However, Orillia generated taxable income in 2002 through 2005. Orillia's 2002 Board-approved rate base was $17,894,048[4] and taxable paid-up capital was $21,168,902[5]. Based on its specific tax facts, Orillia was not eligible to claim the small business deductions in the tax years 2001 through 2005. Orillia chose the blended maximum income tax rates for each tax year 2001-2005 in order to calculate the PILs variances in the SIMPIL models.

2Spreadsheet implementation model for payments-in-lieu of taxes
3 Orillia_Appendix B_2001-2012 Calculation of PILS Collected_Approved Amounts_20111028.XLS, Tab A-1 Summary
4 Orillia SIMPIL Models, Tab REGINFO.
5 Application, pdf page 564.

Board staff submits that Orillia has followed the regulatory guidance and the decisions issued by the Board in determining the credit amount of $370,403 in its Account 1562 Deferred PILs evidence to be refunded to customers.[6]

All of which is respectfully submitted

6 Decisions in Combined Proceeding, EB-2008-0381 – August 12, 2011; June 24, 2011; December 23, 2010; December 18, 2009. Hydro One Brampton, EB-2011-0174, December 22, 2011. Whitby Hydro, EB-2011-0206, December 22, 2011. Staff Discussion Paper, August 20, 2008.