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**BY COURIER & RESS**

December 31, 2015

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

Attention: Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Orillia Power Distribution Corporation  
Disposition of Account 1576 – Board File No. EB-2015-0286**

In accordance with Procedural Order No. 1, please find attached Orillia Power's Reply Submission in the above-noted proceeding. This document is being forwarded to the Vulnerable Energy Consumers Coalition ("VECC").

Sincerely,

Pauline Welsh, Manager of Regulatory Affairs  
Orillia Power Distribution Corporation

cc. Keith McAllister, President & CEO  
Pat Hurley, CFO



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Keith McAllister, P.Eng. - President & Chief Executive Officer  
Patrick J. Hurley, B.Math, CPA, CMA - Chief Financial Officer



**Orillia Power Distribution Corporation  
EB-2015-0286**

**Reply Submission**

Orillia Power Distribution Corporation ("Orillia Power") filed an application with the Ontario Energy Board on October 19, 2015 under section 78 of the Ontario Energy Board Act, seeking the establishment of a 1576 rate adder on an interim basis which is a refund to customers associated with balances that have accumulated to December 31, 2014. The rate adder represents a return of \$1,481,013 to Orillia Power customers over a proposed 2-year period on a fixed charge basis for residential customers and a volumetric rate rider for all other classes.

Board staff and VECC provided submissions on December 29, 2015. Board staff have no concerns with the data supporting the disposition of the deferral and variance Account 1576 balance for Orillia Power. VECC's submission is supportive of Orillia Power's application to establish a 1576 rate adder. However, VECC is asking the Board to approve the disposition of the \$1,481,013 balance in Account 1576 as a refund to customers over a one year term, allocated on the basis of distribution revenue.

Orillia Power's reply will address VECC's position regarding Orillia Power's approach to allocating the balance in Account 1576 and the term for the 1576 rate adder on an interim basis.

**Allocation of Balance of Account 1576**

The balance in Account 1576 has accumulated as a result of a decrease in depreciation expense and an increase in Property, Plant and Equipment. Based on this, Orillia Power proposes to calculate the 1576 rate adder based on share of system utilization (metered kWh). This is consistent with the approach used in Whitby Hydro's application for a 1576 rate adder, EB-2015-0251 and approved in the Board's Decision issued on December 10, 2015<sup>1</sup>.

VECC submits that the allocation of the balance in Account 1576 to each customer class should be on the basis of distribution revenue, referencing Orillia Power's last COS application for 2010 rates (EB-2009-0273). Orillia Power acknowledges that approximately 50% of depreciation expense was allocated to the Residential Class in the Cost Allocation Model<sup>2</sup> submitted as part of its COS application. Orillia Power has calculated the allocation on the basis of distribution

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<sup>1</sup> dec\_rate order \_Whitby\_ 20151210

<sup>2</sup> EB-2009-0273 Orillia\_DRF\_RO\_RA10\_CA Model Run 2\_20100401, Sheet O1, Line 26 (\$709,111/\$1,407,700)

revenue<sup>3</sup> which allocates 52% to residential customers. A comparison of the two approaches is provided in the following table.

#### Allocation of Account 1576 Balance by Customer Class

Allocator	Metered kWh		Distribution Revenue (\$)	
CUSTOMER CLASS	% Allocation	\$ Allocation	% Allocation	\$ Allocation
Residential	34.77%	\$ (514,921)	52.11%	\$ (771,727)
General Service Less Than 50 kW	14.83%	\$ (219,649)	19.04%	\$ (282,011)
General Service 50 to 4,999 kW	49.19%	\$ (728,558)	24.60%	\$ (364,341)
Unmetered Scattered Load	0.26%	\$ (3,879)	0.31%	\$ (4,663)
Sentinel Lighting	0.09%	\$ (1,388)	0.20%	\$ (2,991)
Street Lighting	0.85%	\$ (12,618)	3.73%	\$ (55,280)
<b>Total</b>	<b>100.00%</b>	<b>\$ (1,481,013)</b>	<b>100.00%</b>	<b>\$ (1,481,013)</b>

In its final submission, Board staff submits that it has no concerns with the data supporting the disposition of the Account 1576 balance. Board staff has not commented on the question of the appropriate allocation to customer classes, presumably leaving this matter to the discretion of the Board. Orillia Power will accept the decision of the Board in this matter.

#### Disposition Term for Interim Rate Adder

Orillia Power has proposed recovery of the balance in Account 1576 at December 31, 2014 over a 2-year period representing the period over which the balance accumulated. VECC submits that a 1-year term coincides with the end of Orillia Power's Incentive Rate Making term and avoids the need for two consecutive 1576 rate adders in 2017 when Orillia Power will again seek disposition of the balance in Account 1576 as part of its 2017 COS application for rates effective May 1, 2017. VECC further submits that a 1-year term provides rate relief to customers in 2016 when other OEB and provincial government rate changes will result in larger total bill impacts.

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<sup>3</sup> VECC IRR #1

Orillia Power has provided a comparison of the proposed 1576 rate adder under the two allocation approaches and the two disposition terms in the following table.

**Calculation of Account 1576 Rate Adder by Customer Class**

CUSTOMER CLASS	Units of Measure	Allocator	Account 1576 Rate Adder System Utilization (2 yrs)	Account 1576 Rate Adder System Utilization (1 yr)	Account 1576 Rate Adder Distribution Revenue (1 yr)	Monthly Billing Units
Residential	# customers	11,816	\$ (1.82)	\$ (3.63)	\$ (5.44)	\$/customer
General Service Less Than 50 kW	kWh	45,695,188	\$ (0.0024)	\$ (0.0048)	\$ (0.0062)	\$/kWh
General Service 50 to 4,999 kW	kW	405,949	\$ (0.8974)	\$ (1.7947)	\$ (0.8975)	\$/kW
Unmetered Scattered Load	kWh	806,994	\$ (0.0024)	\$ (0.0048)	\$ (0.0058)	\$/kWh
Sentinel Lighting	kW	802	\$ (0.8654)	\$ (1.7307)	\$ (3.7294)	\$/kW
Street Lighting	kW	7,334	\$ (0.8603)	\$ (1.7205)	\$ (7.5375)	\$/kW

Orillia Power submits that the Board should approve a 2-year term for the following reasons:

- Orillia Power intends to request a deferral for its COS until the 2018 rate year; the 1576 rate adder will have a sunset date of January 2018, in advance of a rate rider requested for disposition of the balance in Account 1576 as part of a 2018 COS application for rates effective May 1, 2018 should the Board approve its deferral request;
- The larger total bill impacts that VECC describes for 2016 are mainly due to the end of the 10% OCEB rebate and the 4-year transition to fully fixed rates for residential customers; customers will benefit from mitigation over two years as opposed to one year.

In summary, Orillia Power submits that a 1576 rate adder over 2-year term will serve to mitigate the new OEB and provincial government rate changes until its next COS application. Under this proposal, residential customers using 800 kWh will experience a 3.40% total bill increase and general service less than 50 kW customers using 2,000 kWh will experience a 7.19% total bill increase.

All of which is respectfully submitted