



Energizing Our Community[®]

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January 4, 2016

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

Attention: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Applications for 2016 Electricity Rates

Orillia Power Distribution Corporation ("Orillia Power") is on the list of distributors whose rates are scheduled for rebasing for the 2017 rate year. Orillia Power is submitting a request to defer rebasing until August 2017 for rates effective May 1, 2018 based on the following rationale.

Financial Position

We believe that Orillia Power can continue to manage its resources and financial needs, while minimizing regulatory costs and providing its customers with stable rates over the foreseeable horizon within existing approved rates under the 4th Generation Price Cap Adjustment Mechanism. Key indicators of Orillia Power's financial position and performance with respect to system reliability indicators as reported in OEB RRRs are provided in the following tables:

Regulated Return on Equity on a Deemed Basis

Regulated Return on Equity on a Deemed Basis			
2010 COS	2013	2014	2015 Estimated
9.85	11.70	12.11	10.75

Orillia Power's regulatory rate of return is expected to remain within ± 300 basis point ("the dead band") of its last OEB approved rate of return as shown above. Orillia Power acknowledges that rebasing may be indicated sooner in the event its rate of return falls outside of the dead band.



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Service Reliability Indicators – 3-year performance

Service Reliability Indicators						
Index	Including Code 2 Outages			Excluding Code 2 Outages		
	2013	2014	2015 Estimate	2013	2014	2015 Estimate
SAIDI	1.640	2.190	0.948	1.130	2.150	0.936
SAIFI	2.380	6.020	2.020	1.030	1.280	1.667

Orillia Power's target ranges for SAIDI and SAIFI (excluding Code 2 outages) reported in its 2014 Scorecard are:

SAIDI - at least within 0.24 – 1.13, and

SAIFI - at least within 0.86 – 1.89

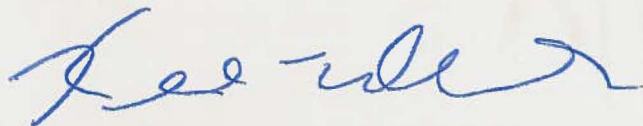
2015 estimates for system reliability are within these target ranges. Orillia Power exceeded its target for SAIDI in 2014 due to a severe wind storm Sep 5/14 in our service area that involved extensive restoration efforts.

Other Considerations

The City of Orillia, the sole shareholder of Orillia Power Corporation, is currently exploring an economic development opportunity with Hydro One Networks Inc. which would include the acquisition of the distribution company, Orillia Power Distribution Corporation. In light of this, Orillia Power submits that it would be prudent to defer rebasing until August 2017 in addition to the rationale presented above.

Should the Board have questions in support of this request, please contact the undersigned.

Respectfully,



Keith McAllister, P.Eng.
President & CEO