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Telephone: (705) 328-7315
Fax: (705) 328-0800

BY COURIER

November 10, 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: Orillia Power Distribution Corporation (Orillia Power)
2017 Distribution Rate Application – Board File No. EB-2016-0321**

Orillia Power received the Case Information Letter ("the letter") dated November 7, 2016 with respect to its application for 2017 rates ("the Application") submitted on October 31, 2016. The Application was assigned file number EB-2016-0321 and the letter indicates that the OEB will make a decision on the Application under the 2017 Price Cap Incentive Regulation ("IR") Mechanism.

Orillia Power intends to amend the Application to include the OEB ("the Board") Excel Model: 2017 IRM Rate Generator - version 1.3 ("the 2017 Rate Generator") issued September 14, 2016 for 2017 Price Cap IR applications. Orillia Power's proposed amendments to the Application will be in accordance with the Board's updated Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications, issued July 14, 2016 (the "Filing Requirements") with the exception of the annual adjustment mechanism (Price Cap). The reason for the exception sought is addressed in the next paragraph.

The Ontario Energy Board ("the Board") issued a Notice of Hearing, published on the same date as this letter, relating to the Share Purchase Application and related approvals ("the MAAD Application"), Board File Number: EB-2016-0276 - Hydro One Inc. (Hydro One), Orillia Power Distribution Corporation (Orillia Power), and Hydro One Networks Inc. (Hydro One Networks) which includes:



360 West St. S., P.O. Box 398, Orillia ON L3V 6J9
Info@orilliapower.ca www.orilliapower.ca



1. Application under section 86(2)(b) of the Ontario Energy Board Act, 1998 (Act) by Hydro One to purchase all of the shares of Orillia Power,
2. Application under section 78 of the Act by Orillia Power to include a rate rider in its 2016 OEB-approved rate schedules to give effect to a 1% reduction relative to 2016 base distribution delivery rates,
3. Application under section 86(1)(a) of the Act by Orillia Power to transfer its distribution system to Hydro One Networks,
4. Application under section 77(5) of the Act by Orillia Power to cancel its electricity distribution licence, and
5. Application under section 74 of the Act by Hydro One Networks to amend its electricity distribution licence authorizing it to serve Orillia Power's customers.

Under Part 2, Orillia Power will apply to the Board for approval to include a negative rate rider to Orillia Power's electricity rates to reduce base distribution delivery rates by one per cent across residential and general service rate classes, and to have such reduced rates apply for a period of five years ("the Rate Freeze Period") commencing on the Closing Date to be determined in due course.

In light of the MAAD Application, specifically Part 2 under which 2016 base distribution delivery rates will be reduced by 1%, Orillia Power wishes to exclude the Price Cap in the determination of distribution rates effective May 1, 2017. Accordingly, Orillia Power wishes to amend the Proposed Tariff of Rates and Charges and Bill Impact schedules based on a Price Cap Adjustment of 0.00%. In order to facilitate this, components of the 2017 Rate Generator, tab 16.Rev2Cost_GDPIPI will need to be modified as follows:

- Cell B12 – Price Escalator set to 0.00%, and
- Cell B14 – Stretch Factor Value set to 0.00%

With Productivity Factor already set to 0.00% (cell D12), the calculated value in cell D13 – Price Cap Index will be 0.00%.

The Application as submitted on October 31, 2016 addresses the following:

- Rate Design for Residential Electricity Customers, and
- LRAM Variance Account (LRAMVA).

Orillia Power intends to amend the Application to address the additional matters as follows:

- An adjustment to the retail transmission service rates as provided in the OEB's Guideline G-2008-0001: Electricity Distribution Retail Transmission Service Rates (RTSR), Revision 4.0 dated June 28, 2012,
- The disposition of Group 1 deferral and variance account balances, and
- The prescribed 50/50 sharing of impacts of legislated tax changes.

The following elements of Price Cap IR will not form part of the amended Application:

- Revenue-to-Cost Ratio Adjustments
- Z-Factor Claims

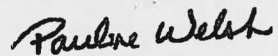
- **Advanced Capital Module**
- **Incremental Capital Module**
- **Renewable Generation Connection Funding Adder or Smart Grid Funding Adder**

Amendments to the Application will be filed in accordance with Canadian Generally Accepted Accounting Principles (CGAAP).

With the amendments proposed, all rate payers within Orillia Power's service territory will be affected by the amended Application. Orillia Power will provide an amended Proposed Tariff of Rates and Charges and the associated Bill Impacts as part of the amended Application.

Please contact the undersigned if you require more information.

Respectfully submitted,



**Pauline Welsh
Manager of Regulatory Affairs**