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June 19, 2017

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: Application for 2018 Electricity Rates

Orillia Power Distribution Corporation ("OPDC") is on the list of distributors whose rates are scheduled for rebasing for the 2018 rate year. In light of the pending MAAD application with Hydro One and Score Card performance summarized in the following paragraphs, OPDC is requesting a deferral of its rebasing application.

MAAD Application

The City of Orillia and Orillia Power Corporation signed a share purchase agreement ("SPA") with Hydro One Inc to sell OPDC. The agreement was signed on August 15, 2016 subject to review and approval by the OEB. Final submissions in this matter, EB-2016-0276 were made on May 5, 2017. If approved, OPDC ratepayers will have their base distribution delivery rates reduced by 1% and frozen at that level for 5 years. A decision by the OEB is still pending as of the date of this letter.

Financial Position

OPDC is able to 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. Key indicators of OPDC's financial position and performance with respect to system reliability indicators as reported in OEB RRRs are provided below.



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Regulated Return on Equity

OPDC's regulatory rate of return has been within ± 300 basis point ("the dead band") of its last OEB approved rate of return as shown below with the exception of 2016.

Regulated Rate of Return on Deemed Equity			
	2014	2015	2016
Deemed ROE	9.85%	9.85%	9.85%
Achieved ROE	12.11%	8.99%	-1.59%

OPDC's 2016 ROE was approximately 1100 basis points below deemed ROE. A breakdown by regulated net income and regulated deemed equity is shown in the following table.

Breakdown of 2016 ROE difference into Regulated Net Income and Regulated Deemed Equity				
Components of the ROE calculation	Deemed last COS	Achieved	Variance \$	Variance %
ROE Amount (\$)	\$819,800	-\$188,460	-\$1,008,260	-122.99%
Regulated Deemed Equity (\$)	\$8,322,400	\$11,837,200	\$3,514,800	42.23%
ROE (%)	9.85%	-1.59%	-28.69%	-11.44%

The largest contributing factor to the net variance of -11.44% is current taxes included in 2016 net income related to OPDC's exit from the PILs regime. On August 15, 2016, the date the SPA was signed, OPDC ceased to be exempt under section 149(1.1) of the Tax Act. Pursuant to section 149(10) of the Tax Act, OPDC then became liable to pay both federal and provincial income tax, with its first tax year starting at that time. OPDC was also deemed to have disposed of all of its assets, and reacquired them, at fair market value for income tax purposes immediately prior to August 15, 2016. OPDC filed a final tax return as of August 14, 2016 with the Ministry of Finance for Ontario. As a result of the fair market value "bump", OPDC was subject to applicable taxes from income and losses up to this date including the impact of the deemed disposition ("departure taxes") payable to the Ministry of Finance estimated at \$1,065,000.00.

Service Reliability Indicators

OPDC continues to perform well and is actively monitoring system reliability. Performance statistics for the past 3 years are shown in the following table.

Service Reliability Indicators						
Index	Including Code 2 Outages			Excluding Code 2 Outages		
	2014	2015	2016	2014	2015	2016
SAIDI	2.190	1.080	0.530	2.150	1.060	0.520
SAIFI	6.020	3.110	1.390	1.280	2.440	1.100


Other Considerations

In the absence of rebasing and the pending OEB decision on the MAAD application, OPDC requests permission to file a rate application for 2018 rates using the 'Price Cap Incentive model with 0% price cap', similar to its 2017 rate application EB-2016-0321. In this application, OPDC did not apply for the price cap adjustment due to the MAAD Application before the OEB. This continues to be the main driver of OPDC's request to defer rebasing.

As part of an application, OPDC will continue to follow the OEB's process regarding the filing of annual applications for the review and potential disposition of Group 1 deferral and variance account balances and to continue the implementation of the transition to fully fixed distribution rates for the residential class. In addition, OPDC has customers migrating into Class A (Global Adjustment and CBR) in 2017. As these customers are new to the Class A program, OPDC believes that it is important to address the clearing of related deferral and variance balances on a timely basis. OPDC intends to propose separate kWh rate riders for these customers to dispose of amounts they contributed to the Global Adjustment (GA) and Capacity Based Recovery (CBR) variance balances while they were Class B consumers.

Please contact the undersigned if more information is required.

Respectfully submitted,



Grant Hipgrave, CPA, CMA
Interim President & CEO