



Energizing Our Community

1913 - 2013

Telephone: (705) 326-7315  
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January 25, 2013

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: Application for 2014 Electricity Rates  
Orillia Power Distribution Corporation**

Orillia Power Distribution Corporation ("Orillia") is scheduled to file a cost of service application for rates effective May 1, 2014.

In accordance with the Ontario Energy Board's ("the Board") letter of December 11, 2012, "Applications for 2014 Electricity Rates" and the transition plan contained in the October 18, 2012 Report of the Board "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach", Section 5.2, Option 1b - Distributor Rebases under 4<sup>th</sup> Generation IR, Orillia is seeking the Board's approval to:

- apply to have our rates effective January 1; and
- in accordance with Option 2 described in the Board's December 11, 2012 letter
  - delay rebasing by one year; and
  - file a cost of service application in accordance with the 4<sup>th</sup> Generation IR filing requirements including a consolidated capital plan for rates effective January 1, 2015.

Should the Board have any questions or require evidence in support of the requested approval, please contact the undersigned.

Yours truly,

Keith McAllister, P.Eng.  
President & CEO



360 West St. S., P.O. Box 398, Orillia ON L3V 6J9  
info@orilliapower.ca www.orilliapower.ca  
Keith McAllister, P.Eng. - President & Chief Executive Officer  
Patrick J. Hurley, B.Math, CMA - Chief Financial Officer





Energizing Our Community

1913 - 2013

Telephone: (705) 326-7315  
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November 28, 2013

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: Request for Deferral of Cost of Service Distribution Rate Application**

In our letter dated January 25, 2013, Orillia Power Distribution Corporation ("Orillia Power") opted to delay rebasing by one year, and in order to align its rate year with its fiscal year, file a Cost of Service rate application in accordance with the 4<sup>th</sup> Generation IR filing requirements including a Consolidated Capital Plan for rates effective January 1, 2015.

Orillia Power is requesting permission of the Board to defer the timing of its Cost of Service rate application one additional year, for approval of rates effective January 1, 2016.

Orillia Power believes it is able to manage its resources and financial needs within existing approved rates, providing its customers with stable rates over the foreseeable horizon. It is well suited to the IR adjustment mechanism under the Annual Index IR rate methodology and sees this as an opportunity to minimize regulatory costs otherwise arising out of filing and defending a Cost of Service rate application in rate years that are not expected to generate a material difference from existing rates.

However, Orillia Power is proposing to file a Cost of Service rate application for rates effective January 1, 2016 in order to dispose of a Smart Meter Incremental Rate Rider (SMIRR), currently in its Tariff of Rates and Charges, and amounts accumulating in PP&E Deferral Account 1576. This would accomplish the following:

- Smart meter capital will be incorporated into proposed rates;
- PP&E Deferral Account 1576 Credit Balance attributable to depreciation expense accounting policy changes under CGAAP effective January 1, 2013, recorded this year and each subsequent year until the next Cost of Service rate application will be returned to customers over an approved amortization period;
- Transition to calendar year rates in order to align its rate year with its fiscal year.

Orillia Power does not foresee any compliance issues related to the reliability of its distribution system. The table below summarizes SAIDI and SAIFI for the past 3 years.



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| Service Reliability Indicators |                         |       |       |                         |       |       |
|--------------------------------|-------------------------|-------|-------|-------------------------|-------|-------|
| Index                          | Includes Loss of Supply |       |       | Excluded Loss of Supply |       |       |
|                                | 2010                    | 2011  | 2012  | 2010                    | 2011  | 2012  |
| SAIDI                          | 1.317                   | 1.551 | 1.135 | 0.244                   | 0.929 | 0.558 |
| SAIFI                          | 1.690                   | 1.660 | 2.534 | 0.859                   | 1.265 | 1.888 |

### 3 Year Historical Average

|       |  |       |  |       |
|-------|--|-------|--|-------|
| SAIDI |  | 1.335 |  | 0.577 |
| SAIFI |  | 1.961 |  | 1.338 |

SAIDI = System Average Interruption Duration Index

SAIFI = System Average Interruption Frequency Index

Orillia Power's regulatory rate of return has remained within  $\pm 300$  basis point of its approved rate of return since rebasing in 2010 and it does not anticipate significant deviations over the 2013-2015 period. The table below provides actual and forecasted regulatory rates of return compared to the Board-approved rate of return for the period 2011 to 2013.

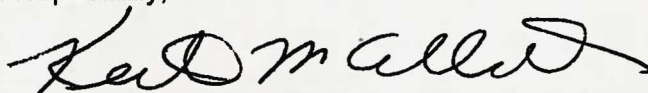
| Regulated Rate of Return on Deemed Equity |      |       |               |
|---|------|-------|---------------|
| Last COS                                  | 2011 | 2012  | 2013 Forecast |
| 9.85                                      | 9.93 | 11.56 | 10.06         |

Orillia Power is required to file a Consolidated Capital Plan by May 1, 2015. Orillia Power believes this requirement will be met within the timeframe of a Cost of Service rate application for rates effective January 1, 2016. The proposed one year deferral will also allow Orillia Power additional time to prepare a robust Distribution System Plan (DSP) for reasons described below:

- A new GIS system put in place this year and ongoing work with Orillia Power's supplier to optimize and design businesses processes to support its Asset Management Plan (AMP) will be integral to developing components of its consolidated DSP and in general, support a more comprehensive approach to network investment planning;
- A recently hired Manager of Engineering will benefit from the additional time to fully leverage the capabilities of this powerful GIS tool to enable Orillia Power to develop a comprehensive AMP and DSP;
- Orillia Power is part of Group 2 for Regional Infrastructure Planning (RIP) studies with implementation scheduled to begin in 2014 – 2015; its capital plans will be better informed on renewable generation expansion or enabling investment needs;
- Activities and other efforts to engage customers are in early planning stages and Orillia Power will gain insight into customers' needs and expectations over time, enabling it to better align services with customer preferences.

Orillia Power respectfully asks the Board to approve its request to defer its Cost of Service rate application for approval of rates effective January 1, 2016. Should the Board have questions in support of this request, please contact the undersigned.

Respectfully,



Keith McAllister, P.Eng.  
President & CEO



Energizing Our Community

Telephone: (705) 326-7315  
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January 27, 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: 2016 Cost of Service Distribution Rate Application**

Orillia Power Distribution Corporation ("Orillia Power") is on the list of distributors whose rates will be scheduled for rebasing for the 2016 rate year. Orillia Power has previously stated its intention to align rates with its fiscal year end and to apply for rates effective January 1, 2016.

Orillia Power is requesting to defer its Cost of Service rate application and submit in August 2015 for rates effective May 1, 2016. Orillia Power will be requesting a move to January 1 rates in this application to be implemented thereafter, in an IR year. This request is based on a need for more time to satisfy Chapter 2 Filing Requirements, Section 2.4.3 – customer engagement to better align distributor operational plans and customer needs and expectations.

Respectfully,

Keith McAllister, P.Eng.  
President & CEO



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April 24, 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: 2016 Cost of Service Distribution Rate Application EB-2015-0024**

In a letter dated January 27, 2015, Orillia Power Distribution Corporation ("Orillia Power") requested permission to submit a Cost of Service rate application for rates effective May 1, 2016 in August 2015 this year. Orillia Power is requesting to defer rebasing until August 2016 for rates effective May 1, 2017 at this time. If earnings and key indicators remain favorable, Orillia Power may request further deferral until August 2017 for rates effective May 1, 2018.

If the Board's permission is granted, Orillia Power intends to submit an application for an interim rate 'credit' towards disposition of a significant balance accumulating in Account 1576 – CGAAP Accounting Changes. The balance in this account at Dec 31, 2014 is \$1.3M and is expected to increase an estimated \$0.6M annually. Orillia Power would like to begin crediting customer bills as soon as November 2015 if approved by the Board. The regulatory balance would be trued up and disposed of at the time of the next rebasing.

Orillia Power expects 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 4<sup>th</sup> Generation Price Cap Adjustment Mechanism. Since rebasing in 2010 and up to the year ending December 31, 2014, Orillia Power's regulatory rate of return has remained within  $\pm 300$  basis point of its approved rate of return. The table below provides rates of return for the period 2011 to 2014. Orillia Power acknowledges the potential need for rebasing should its rate of return fall outside of the dead band.

| Regulated Rate of Return on Deemed Equity |      |      |      |      |
|---|------|------|------|------|
| Last COS                                  | 2011 | 2012 | 2013 | 2014 |
| 9.85                                      | 9.9  | 11.6 | 11.7 | 12.7 |

The table below summarizes SAIDI and SAIFI for the last 5 years. Two anomalies occurred during 2014 resulting in indicators outside Orillia Power's historic trend:

1. Higher SAIDI and SAIFI (including Cause Code 2 outages) in 2014 were due to multiple Cause Code 2: Loss of Supply outages that occurred between May 2014 and June 2014 affecting all Orillia Power customers for the duration of the outages.
2. Higher SAIDI (excluding Cause Code 2 outages) in 2014 was due to a severe wind storm Sep 5/14 in our service area that involved extensive restoration efforts.

| Service Reliability Indicators |                                       |       |       |       |       |                                       |       |       |       |       |
|--------------------------------|---------------------------------------|-------|-------|-------|-------|---------------------------------------|-------|-------|-------|-------|
| Index                          | Includes Cause Code 2: Loss of Supply |       |       |       |       | Excludes Cause Code 2: Loss of Supply |       |       |       |       |
|                                | 2010                                  | 2011  | 2012  | 2013  | 2014  | 2010                                  | 2011  | 2012  | 2013  | 2014  |
| SAIDI                          | 1.320                                 | 1.550 | 1.140 | 1.640 | 2.190 | 0.240                                 | 0.930 | 0.560 | 1.130 | 2.150 |
| SAIFI                          | 1.690                                 | 1.660 | 2.530 | 2.380 | 6.020 | 0.860                                 | 1.270 | 1.890 | 1.030 | 1.280 |

| 5 Year Historical Average |  |  |  |  |       |  |  |  |  |       |
|---------------------------|--|--|--|--|-------|--|--|--|--|-------|
| SAIDI                     |  |  |  |  | 1.568 |  |  |  |  | 1.002 |
| SAIFI                     |  |  |  |  | 2.856 |  |  |  |  | 1.266 |

SAIDI = System Average Interruption Duration Index

SAIFI = System Average Interruption Frequency Index

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

Respectfully,



Keith McAllister, P.Eng.  
President & CEO

**Ontario Energy  
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2300 Yonge Street  
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**Commission de l'énergie  
de l'Ontario**  
C.P. 2319  
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**BY E-MAIL**

May 21, 2015

Pauline Welsh  
Orillia Power Distribution Corporation  
360 West Street South  
P.O. Box 398  
Orillia ON L3V 6J9

Dear Ms. Welsh:

**Re: Applications for 2016 Electricity Rates**

The OEB is in receipt of your letter requesting that Orillia Power Distribution Corporation be permitted to defer the rebasing of its rates beyond the 2016 rate year.

The OEB has considered the rationale for deferral set out in your letter, as well as the following:

- Orillia Power's financial position, as shown in its audited financial statements and financial reporting to the OEB; and
- Orillia Power's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the OEB.

Based on these considerations, the OEB has concluded that it will not require Orillia Power's 2016 rates to be set on a cost of service basis. The OEB will place Orillia Power on the list of distributors whose rates will be scheduled for rebasing for the 2017 rate year.

If Orillia Power intends to seek a rate adjustment for 2016 rates, the OEB expects Orillia Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2016 rate year as may be determined by the OEB.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary





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January 4, 2016

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: 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 4<sup>th</sup> 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  $\pm 300$  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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Patrick J. Hurley, B.Math, CPA, CMA - Chief Financial Officer





### Service Reliability Indicators – 3-year performance

| Service Reliability Indicators |                          |       |                  |                          |       |                  |
|--------------------------------|--------------------------|-------|------------------|--------------------------|-------|------------------|
| Index                          | Including Code 2 Outages |       |                  | Excluding Code 2 Outages |       |                  |
|                                | 2013                     | 2014  | 2015<br>Estimate | 2013                     | 2014  | 2015<br>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

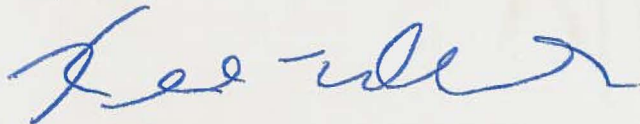
2015 estimates for system reliability are within these target ranges. Orillia Power exceeded its target for SAIDI in 2014 due to a severe wind storm Sep 5/14 in our service area that involved extensive restoration efforts.

### 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

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Board**  
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**Commission de l'énergie  
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**BY E-MAIL**

July 5, 2016

Keith McAllister  
President & CEO  
Orillia Power Distribution Corporation  
P.O. Box 398  
360 West Street S.  
Orillia, ON L3V 6J9

[kmcallister@orilliapower.ca](mailto:kmcallister@orilliapower.ca)

Dear Mr. McAllister:

**Re: Applications for 2017 Electricity Rates**

This letter is in response to your letter expressing an interest to defer Orillia Power Distribution Corporation's (Orillia Power) rebasing of its rates beyond the 2017 rate year.

The OEB has reviewed your letter, as well as Orillia Power's financial and non-financial scorecard performance from 2010 to 2015. Based on this review, the OEB has concluded that it will not require Orillia Power's 2017 rates to be set on a cost of service basis. The OEB will place Orillia Power on the list of distributors whose rates will be scheduled for rebasing for the 2018 rate year.

If Orillia Power intends to seek a rate adjustment for 2017 rates, the OEB expects Orillia Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2017 rate year.

This is the fourth year that Orillia Power has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2018 cost of service rate application from Orillia Power, the OEB will apply the Annual IR Index method. The OEB will also consider whether a distribution system plan will be required at that time.



Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary



Energizing Our Community®

Telephone: (705) 326-7315  
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June 19, 2017

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: Application for 2018 Electricity Rates**

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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  $\pm 300$  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 |

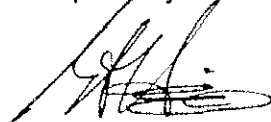
### Other Considerations

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