



Energizing Our Community

1913 - 2013

Telephone: (705) 326-7315
Fax: (705) 326-0800

November 28, 2013

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: 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 4th 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.



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



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 ± 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.

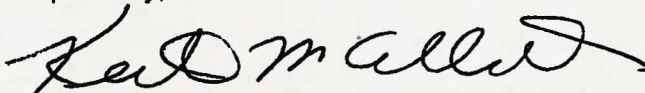
Regulated Rate of Return on Deemed Equity			
Last COS	2011	2012	2013 Forecast
9.85	9.93	11.56	10.06

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