

April 24, 2015

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: 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 4th 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 ± 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