



Entegrus Powerlines Inc.
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October 29, 2015

Ms. Kirsten Walli
Ontario Energy Board
PO Box 2319
27th Floor, 2300 Yonge Street
Toronto, Ontario M4P 1E4

Re: 2016 Cost of Service Application, Community Day Presentation
Board File No.: EB-2015-0061

Dear Ms. Walli,

Please find enclosed Entegrus Powerlines Inc.'s presentation from the Community Day held in Chatham, Ontario on Monday October 26th, 2015.

If you have any further questions, please do not hesitate to contact me at (519) 352-6300 Ext 243 or via email at andrya.eagen@entegrus.com.

Regards,

[Original Signed By]

Andrya Eagen
Senior Regulatory Specialist
Phone: 519-352-6300 Ext 243
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Entegrus Powerlines 2016 Rate Application

October 26, 2015

Community Presentation

Welcome & Agenda

- 1. About Entegrus**
(Jim Hogan, President & CEO)
- 2. The Plan for Our Distribution System for 2016-2020**
(Dan Charron, VP Engineering & Asset Management)
- 3. Customer Feedback and the 2016 Rate Application**
(Chris Cowell, CFO & VP Administration)

About Entegrus

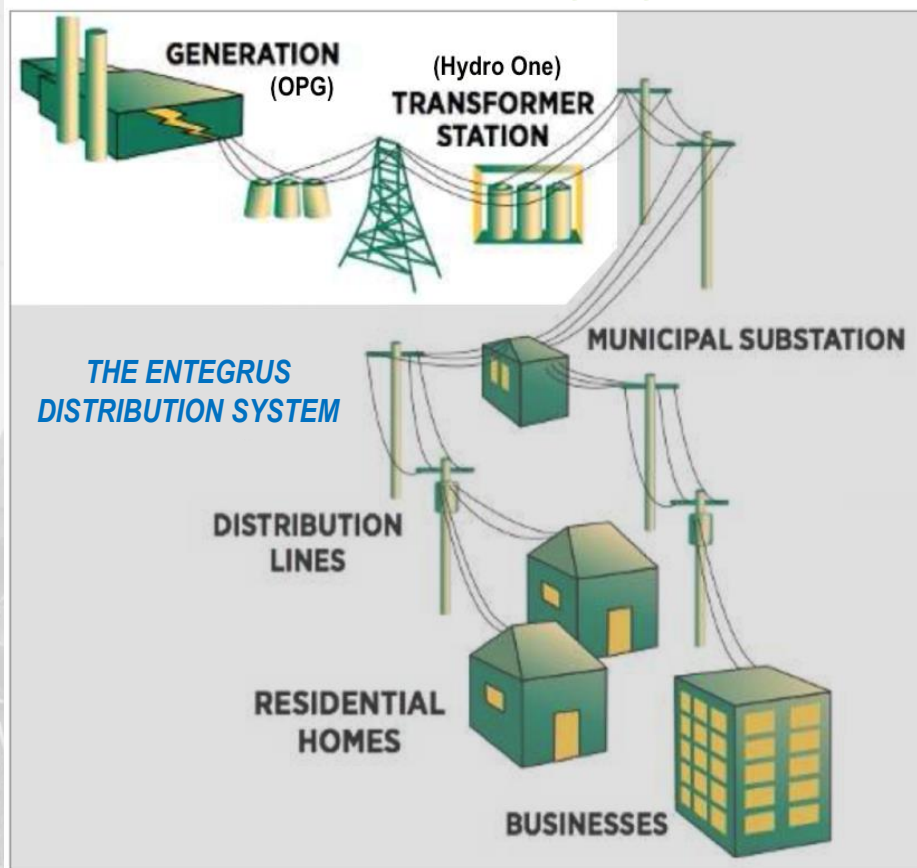
Jim Hogan

President & CEO



The Role of Entegrus

Ontario's Electricity System



- 70% of Ontario's electricity is generated by Ontario Power Generation (OPG)
- Once generated, electricity is transmitted to urban and rural areas by transmission lines and stations (mostly owned by Hydro One)
- Entegrus is responsible for the last leg of the journey: delivering electricity to local customers using its distribution system

Entegrus Provides Distribution to 40,000 Customers in 16 Southwestern Ontario communities

Entegrus Powerlines represents the amalgamation of the following utilities:

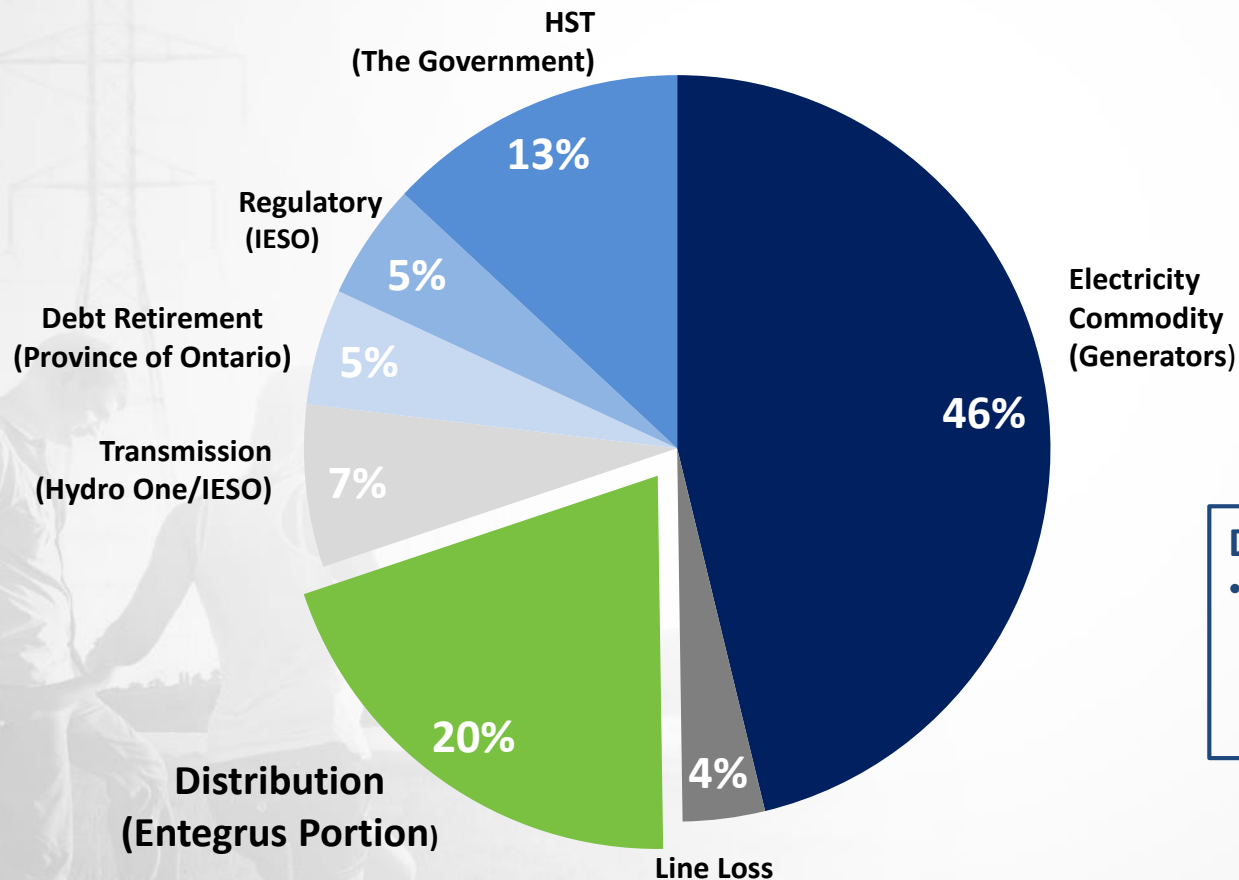
- Chatham-Kent Hydro
- Middlesex Power
- Dutton Hydro
- Newbury Power

Entegrus Powerlines' parent company, Entegrus Inc., is owned by the following entities:

- 90% by the Municipality of Chatham-Kent
- 10% by Corix Utilities Inc.



About 20% of the Typical Residential Electricity Bill Goes to Entegrus



Did You Know?

- *The other 80% of the bill collected by Entegrus is passed directly thru to government agencies*

Accountability to Customers: OEB 2015 Efficiency Rankings

More Efficient		Less Efficient			
Group I	Group II	Group III	Group IV	Group V	
Stretch Factor = 0%	Stretch Factor = 0.15%	Stretch Factor = 0.30%	Stretch Factor = 0.45%	Stretch Factor = 0.60%	
E.L.K. Energy Inc. Halton Hills Hydro Inc. Hearst Power Distribution Company Limited Hydro Hawkesbury Inc. Northern Ontario Wires Inc. Wasaga Distribution Inc.	Cooperative Hydro Embrun Inc. Enersource Hydro Mississauga Inc. Entegrus Powerlines Espanola Regional Hydro Dist Corp Essex Powerlines Corporation Grimsby Power Incorporated Haldimand County Hydro Inc. Kitchener Lakefront Utilities Inc. London Hydro Inc. Milton Hydro Distribution Inc. Newmarket Oshawa PUC Networks Inc. Welland Hydro-Electric System Corp.	Bluewater Power Distribution Corporation Brantford Power Inc. Brant County Power Inc. Burlington Hydro Inc. Cambridge And North Dumfries Hydro Inc. Centre Wellington Hydro Ltd. Collus Power Corporation Erie Thames Powerlines Corporation Fort Frances Power Corporation Guelph Hydro Electric Systems Inc. Horizon Utilities Corporation Hydro 2000 Inc. Hydro One Brampton Networks Inc. Hydro Ottawa Limited Innisfil Hydro Distribution Systems Limited Kenora Hydro Electric Corporation Ltd. Kingston Hydro Corporation Lakeland Power Distribution Ltd.	Niagara Peninsula Energy Inc. Niagara-On-The-Lake Hydro Inc. Norfolk Power Distribution Inc. North Bay Hydro Distribution Limited Orangeville Hydro Limited Orillia Power Distribution Corporation Ottawa River Power Corporation Powerstream Inc. Rideau St. Lawrence Distribution Inc. Sioux Lookout Hydro Inc. St. Thomas Energy Inc. Thunder Bay Hydro Electricity Distribution Veridian Connections Inc. Waterloo North Hydro Inc. Westario Power Inc. Whitby Hydro Electric Corporation	Atikokan Hydro Inc. Canadian Niagara Power Inc. Chapleau Public Utilities Corporation Enwin Utilities Ltd. Festival Hydro Inc. Greater Sudbury Hydro Inc. Midland Power Utility Corporation Oakville Hydro Electricity Distribution Inc. Peterborough Distribution Incorporated PUC Distribution Inc. Renfrew Hydro Inc. Tillsonburg Hydro Inc. Wellington North Power Inc.	Algoma Power Inc. Hydro One Networks Inc. Toronto Hydro-Electric System Limited West Coast Huron Energy Inc. Woodstock Hydro Services Inc.

The Ontario Energy Board annually ranks the province's 70+ utilities in terms of cost efficiency. For 2015, Entegrus was once again recognized in Group II, which represents utilities with total costs 10%-25% below predicted levels.

Accountability to Customers: The Entegrus 2014 Scorecard

									Target		
Performance Outcomes	Performance Categories	Measures		2010	2011	2012	2013	2014	Trend	Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		97.60%	93.80%	92.00%	97.00%	98.80%	⬆️	90.00%	
		Scheduled Appointments Met On Time		100.00%	98.70%	99.00%	99.40%	98.00%	⬇️	90.00%	
		Telephone Calls Answered On Time		67.00%	68.80%	95.90%	77.40%	72.70%	⬆️	65.00%	
	Customer Satisfaction	First Contact Resolution						76%			
		Billing Accuracy						99.73%	➡️	98.00%	
		Customer Satisfaction Survey Results						92%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04		NI	NI	C	C	C	⬆️		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡️		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡️		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted		1.33	0.88	1.18	1.23	1.31	⬆️		at least within 0.88 - 1.33
		Average Number of Times that Power to a Customer is Interrupted		0.91	0.72	0.97	0.94	0.84	⬆️		at least within 0.72 - 0.97
	Asset Management	Distribution System Plan Implementation Progress						80%			
	Cost Control	Efficiency Assessment				2	2	2			
		Total Cost per Customer ¹		\$507	\$517	\$495	\$531	\$533			
		Total Cost per Km of Line ¹		\$20,075	\$21,921	\$20,765	\$22,407	\$22,585			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) ²			13.17%	15.95%	26.60%	53.12%	🔴		12.12MW
		Net Cumulative Energy Savings (Percent of target achieved)			21.91%	60.49%	81.11%	109.16%	🟢		46.53GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			60.00%	60.00%		100.00%			
		New Micro-embedded Generation Facilities Connected On Time					100.00%	100.00%		90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.40	1.35	1.19	1.16	1.61			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.31	1.27	1.28	1.22	1.44			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)			9.85%	9.85%	9.85%			
			Achieved			7.61%	7.61%	10.20%			

Notes:

1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.

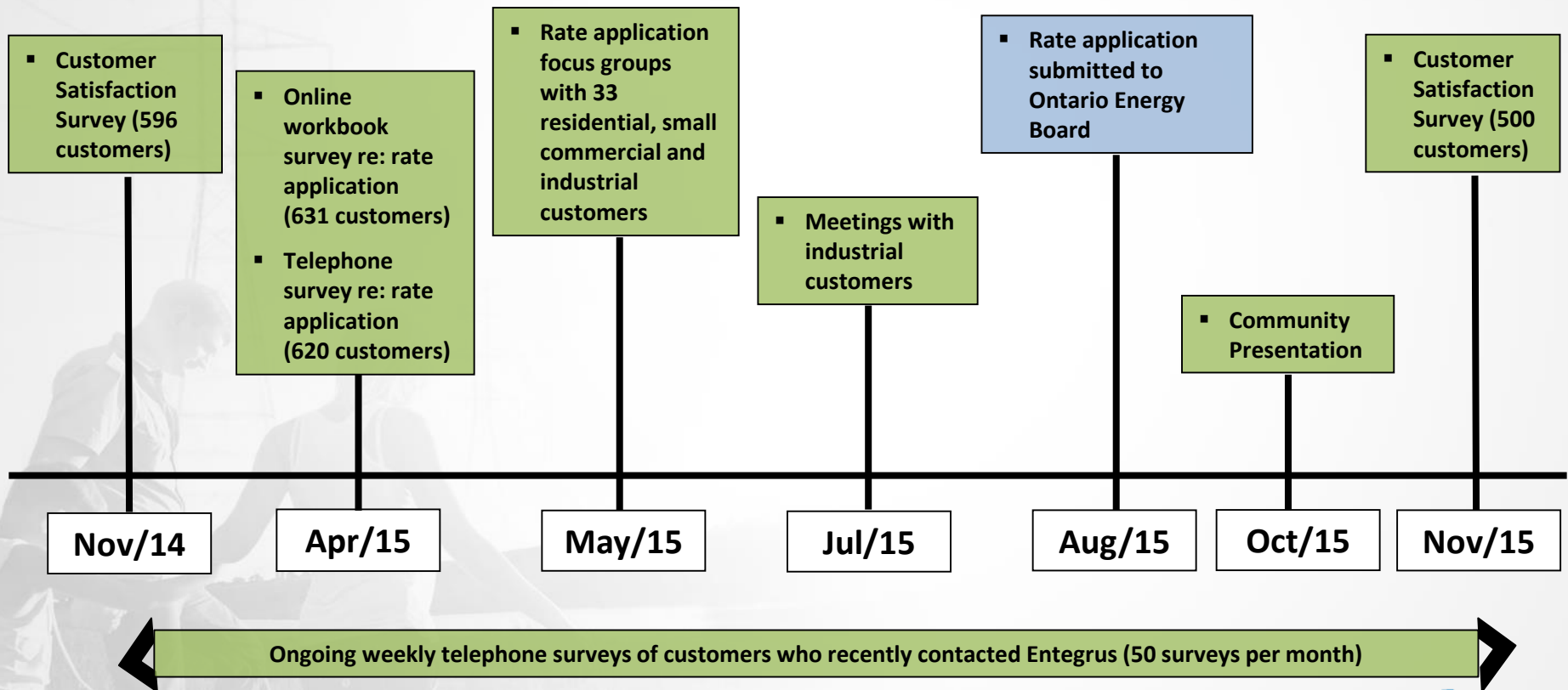
2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend:

⬆️ up ⬇️ down ➡️ flat

🟢 target met 🔴 target not met

Accountability to Customers: 2014/2015 Customer Engagement



What Customers Said

Three Key Messages



1. *Need lower, more affordable rates*



2. *Enhance reliability and reduce outages*



3. *Enhance customer communication*

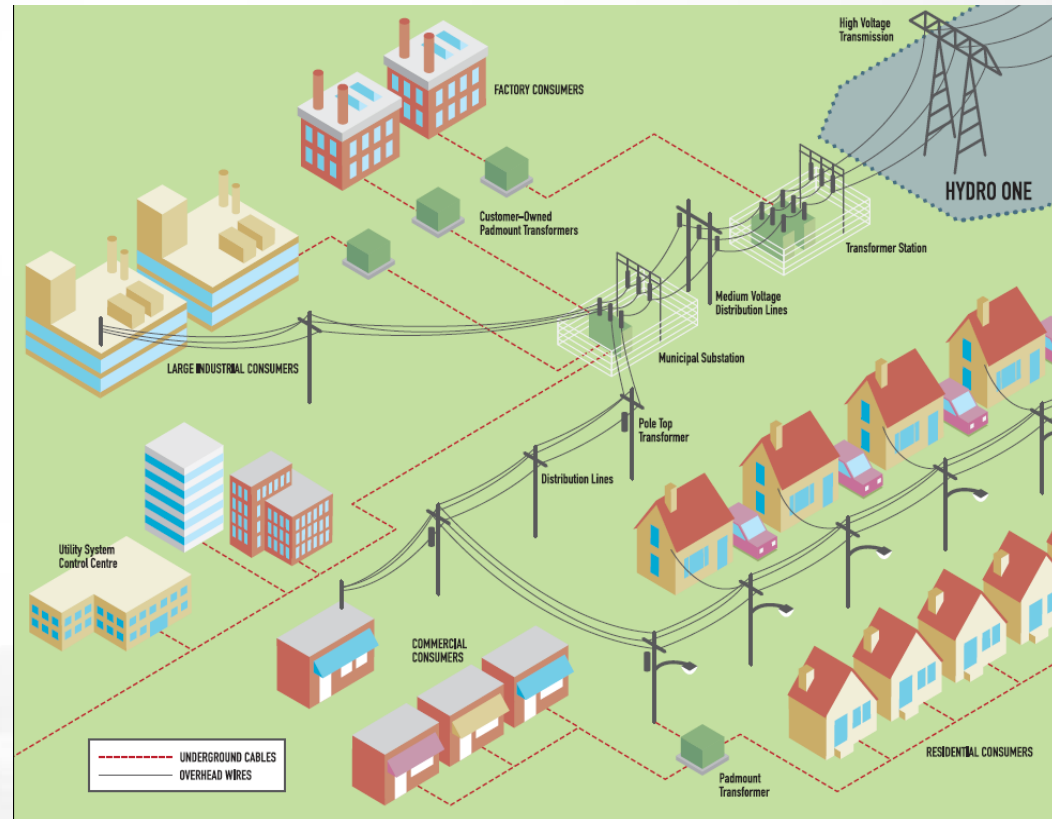
The Plan for Enhancing Reliability and Reducing Outages

Dan Charron

VP of Engineering & Asset Management

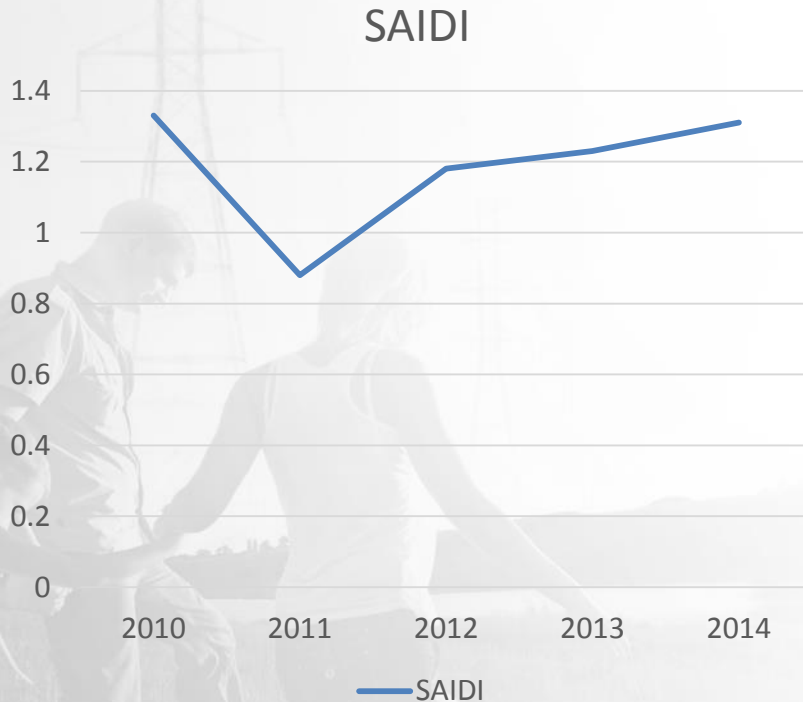
The Entegrus Distribution System

- Entegrus' service territory covers 96 km² of urban area encompassed within a 5,000 km² geographic area
- The Entegrus distribution system contains 680 km of overhead wires, 268 km of underground cables and 17 municipal substations
- Much of the current distribution system was built in the 1960-1980
- The history of Entegrus has resulted in a mix of equipment within the system, all which needs to be managed differently

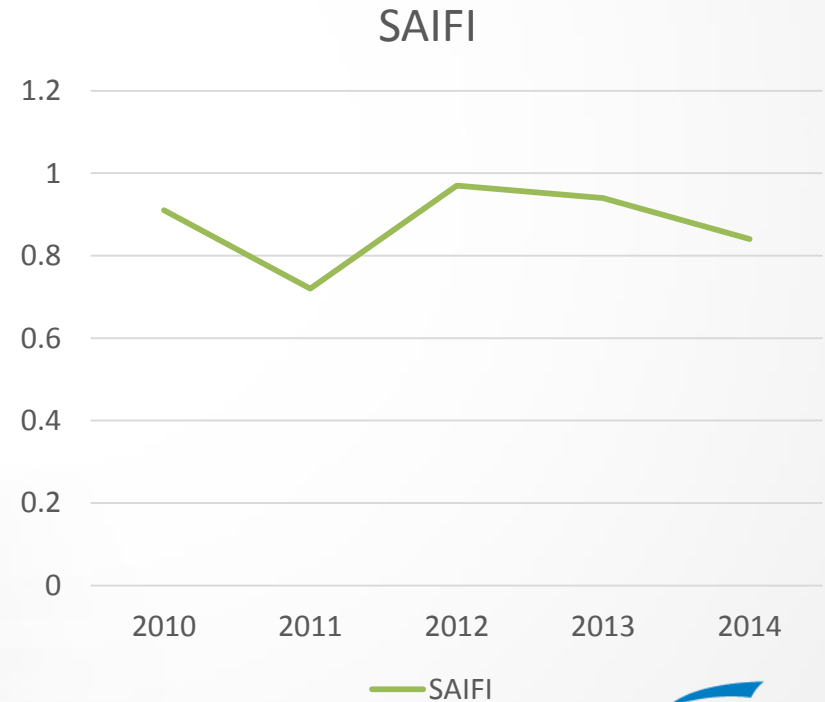


How Ontario Measures Reliability of Electricity Service

Average Number of Hours that Power to a Customer is Interrupted

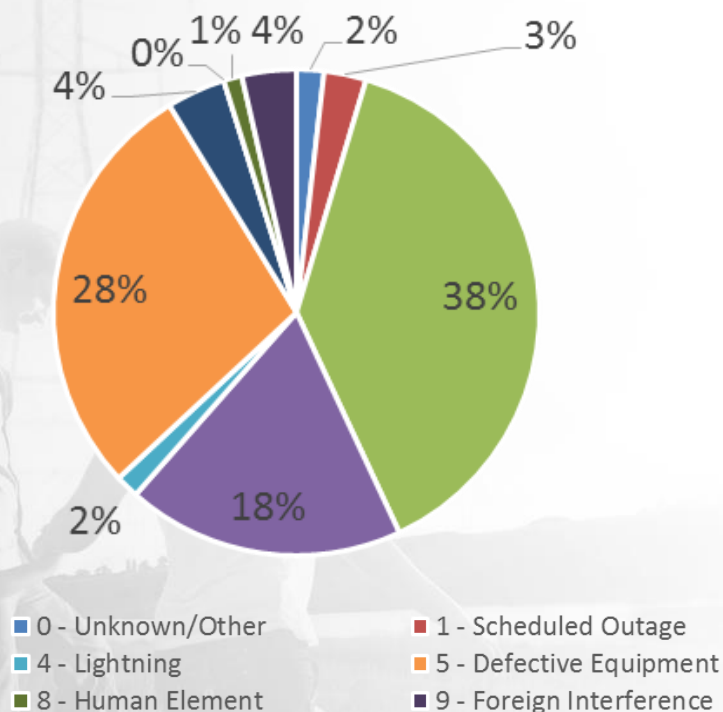


Average Number of Times that Power to a Customer is Interrupted

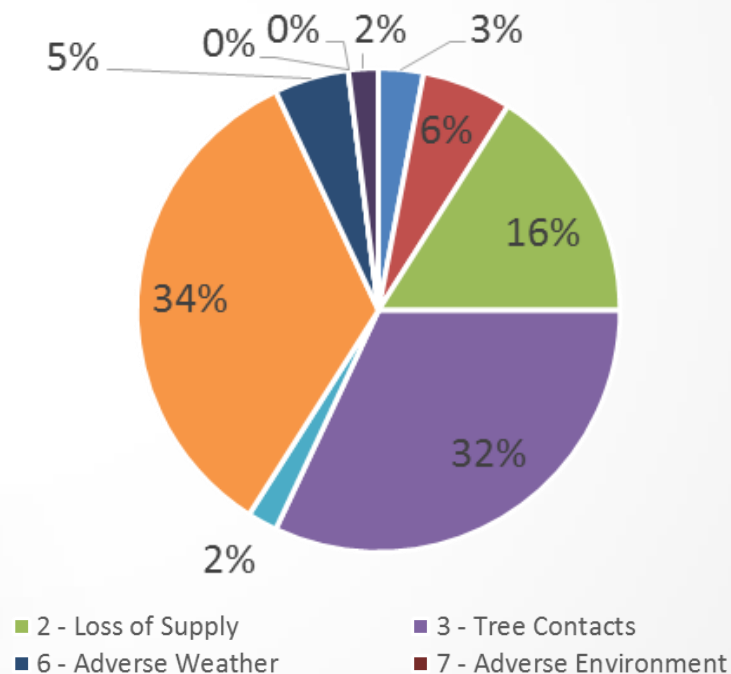


The Entegrus Distribution System: Outage Causes in 2014

Frequency by Type



Duration by Type



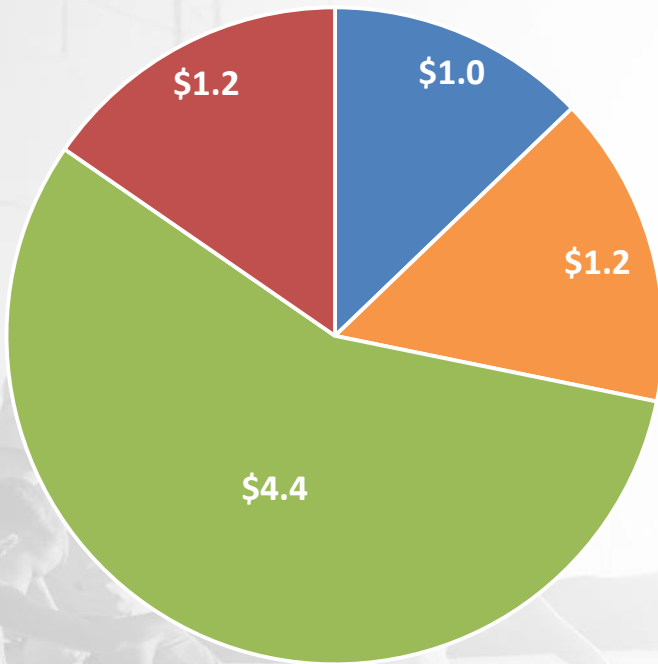
Enhancing Reliability and Reducing Outages: Risk-Based Asset Management



- Preventative maintenance has kept the Entegrus distribution system operating beyond its anticipated lifespan
- In 2012, Entegrus embarked on a capital renewal program to replace aging assets, and in 2013 the consulting firm METSCO was hired to assist in establishing a formalized asset management plan
- Using a risk-based approach and international engineering standards, Entegrus and METSCO assessed the health of individual asset classes, and ranked and prioritized the go forward replacement work needed

Investing in the Improvement and Renewal of the Entegrus Distribution System

Entegrus 2016 Capital Plan: \$7.8 mil



System Access

Definition: Projects that respond to customer requests for new connections or new infrastructure development. These are usually a high priority, "must do" type of request

Programs (e.g.): Customer Connections, Relocating assets based on infrastructure needs

System Renewal

Definition: Projects focused on replacing aging equipment in poor condition

Programs (e.g.): Distribution Station Refurbishment, Voltage Conversion, Underground Cable Replacement, Overhead Wire Replacement

System Service

Definition: Primarily consisting of projects that improve system reliability

Programs (e.g.): Automated Switches, better distribution system monitoring equipment

General Plant

Definition: Investments in supporting assets, such as tools, vehicles, buildings and information technology (IT) equipment that are needed so that we may perform our task to operate and maintain the distribution system

Programs (e.g.): IT, facilities, fleet

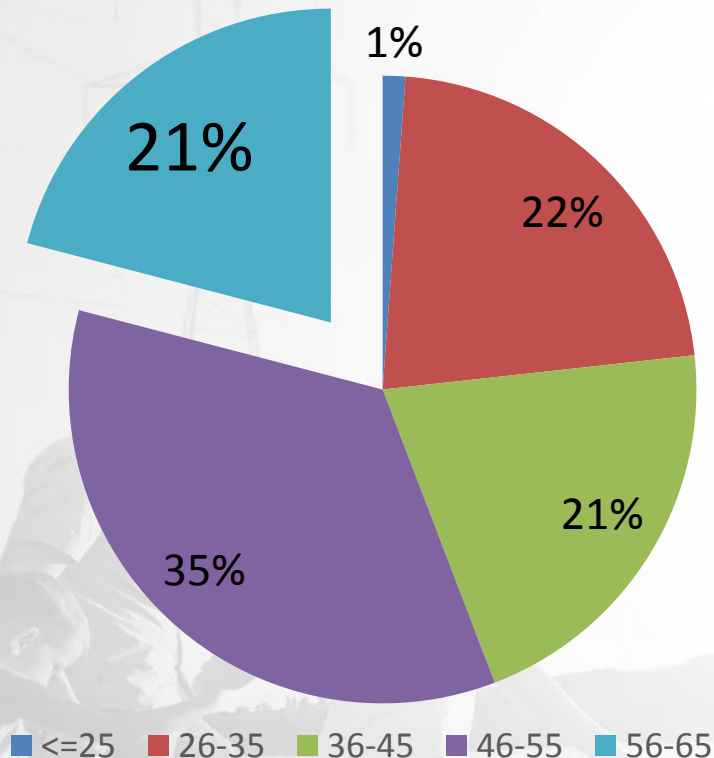
Reducing Outages

- A major focus of the Distribution System Plan is to convert to modern equipment and voltages:
 - *Replace end of life assets*
 - *Reduce losses, simplify system, ...*
- This also involves investment in “smart grid” distribution automation:
 - *Automated fault finding and improved troubleshooting*
 - *Facilitate future customer technologies such as: electric vehicles, rooftop solar, electricity storage*

Enhancing Reliability

- Enhanced reliability helps with efficiency and minimal interruptions for homeowners
- It also helps protect jobs, since our communities are very reliant on a manufacturing and automotive:
 - *Increasingly complex production machinery has very low tolerance for voltage variations*
- To support existing customers and support new investment, Entegrus is embarking on a program to:
 - *Improve power quality investigation expertise*
 - *More diagnostic equipment*
 - *Succession planning to replace retiring experts*

Enhance Reliability & Reduce Outages: Succession Planning



Experienced and well-trained employees are vital to maintaining a reliable distribution system

- Ten members of the Entegrus Lines department (50%) are eligible to retire between now and 2020
- *Response: Hire 2 new apprentices*
- Entegrus has only two professional engineers to implement asset replacement and new technology - which demands more “engineering science”
- *Response: Hire Engineer-in-Training*

The Rate Application

Chris Cowell

CFO & VP Administration

Customer Engagement: Summary of Needs & Preferences

- **Customer Feedback: Lower, affordable rates**
 - *Response: Minimize impact of rising commodity cost:*
 - Continue to minimize costs where possible
 - Leverage recent industry accounting rule changes
 - Harmonize rates across all 4 former utility service areas
- **Customer Feedback: Enhance reliability and reduce outages**
 - *Response: Ensure a reliable distribution system*
 - Create a Distribution System Plan to replace aging assets while employing common and modern technology (previously discussed)
 - Ensure succession planning for aging key operational personnel
- **Customer Feedback: Enhance Customer Communication**
 - *Response: Create or expand programs to:*
 - Assist customers with energy and billing literacy
 - Drive awareness of existing self-service consumption management tools
 - Provide more communication on outages
 - Improve the customer service experience

Lower, Affordable Distribution Rates: Continuing to Minimize Costs Where Possible

Entegrus Expenses Changes between 2010-2016	
2010 Proxy OEB Approved Budget	(\$mils)
Operating Budget	\$8.2
Depreciation	4.5
Income Taxes	1.2
2010 Total	13.9
Changes 2010-2016:	
IFRS Operational Expense Accounting Rules	0.6
Stats Canada Inflation	0.8
Enhanced Reliability & Reduced Outages	0.3
Enhanced Customer Communication	0.2
Other, including administrative merger savings	(0.3)
Depreciation Change	(0.7)
Income Tax Change	(1.0)
2016 Expenses Application Request	\$13.8

- Since 2010, Entegrus has undertaken the following industry initiatives:
 - ✓ New regulatory framework
 - ✓ Low income measures for customers (LEAP)
 - ✓ Smart meters / Time-of-Use billing
 - ✓ Renewable generation connections
 - ✓ Regional planning
- Overall, from 2010 to 2016, Entegrus expenses decreased slightly from \$13.9M to \$13.8M

Lower, Affordable Distribution Rates: First Step is Harmonizing 23 Rates Down to 8

Rate Class - Current	Rate Class – Harmonization Plan	# of Customers by Rate Zone			
		Chatham-Kent	Strathroy, Mt. Brydges & Parkhill	Dutton	Newbury
Residential	Residential	28,799	6,505	542	170
GS < 50 kW	GS < 50 kW	3,087	663	89	33
GS > 50 kW – 999 kW	GS > 50 kW to 4,999 kW	381	-	-	-
GS > 50 kW to 4,999 kW		-	97	-	4
Intermediate >= 1,000 kW		13	-	-	-
Intermediate with Self Gen		1	-	-	-
Large Use (>= 5,000 kW)	Large Use	-	1	-	-
Unmetered Scattered Load	Unmetered Scattered Load	199	52	-	-
Sentinel Lighting	Sentinel Lighting	440	52	1	-
Street Lighting	Street Lighting	1	2	1	1
n/a	Embedded Distribution	1	-	-	-

Lower, Affordable Distribution Rates

Residential Distribution Rates are Decreasing

Projected Typical Monthly Bill Impact of 2016 Distribution Rate Change (with all other bill components held equal)				
Residential Rate Class	Current Rate Zone			
	Chatham-Kent	Strathroy, Mt. Brydges & Parkhill	Dutton	Newbury
Current	\$137.72	\$140.96	\$142.11	\$145.03
May 1, 2016	\$137.48	\$137.48	\$137.80	\$139.35
Change	24¢↓ (0.2%)	\$3.48↓ (2%)	\$4.31↓ (3%)	\$5.68↓ (4%)
<ul style="list-style-type: none"> Based on Entegrus rate application submitted to the Ontario Energy Board, updated in Oct/15 for 2016 OEB capital parameters released Oct 15, 2015 				

Lower, Affordable Distribution Rates

Most Small Commercial Rates are Decreasing

Projected Typical Monthly Bill Impact of 2016 Distribution Rate Change (with all other bill components held equal)				
Small Commercial Rate Class	Current Rate Zone			
	Chatham- Kent	Strathroy, Mt. Brydges & Parkhill	Dutton	Newbury
Current	\$342.08	\$316.43	\$328.59	\$347.89
May 1, 2016	\$322.12	\$322.12	\$322.93	\$326.79
Change	\$19.96↓ (6%)	\$5.68↑ (2%)	\$5.66↓ (2%)	\$21.10↓ (6%)
<ul style="list-style-type: none"> Based on Entegrus rate application submitted to the Ontario Energy Board, updated in Oct/15 for 2016 OEB capital parameters released Oct 15, 2015 				

Enhanced Customer Communication: Energy Literacy Tools

- More explanatory content on website
- Educational videos similar to online workbook. Topics include:
 - *Understanding your bill*
 - *Electrical safety*
 - *Conservation*
 - *Distribution systems and smart grid*

Enhanced Customer Communication: Existing Self Service Tools

- The following enhancements occurred in 2014:
 - *redesign of the Entegrus website*
 - *launch of the “My Account” self-service portal platform*
 - *launch of social media channels on Facebook, Twitter and YouTube*
- But some customers are not aware of these tools
 - *Additional marketing to drive awareness*
 - *System enhancements to provide information to more customer segments*

Enhanced Customer Communication: More Communication on Outages

- Compliment existing social media and website outage messaging with outage maps:
 - *Use signaling data from fault indicators, smart meters, and other smart grid technologies to electronically identify outage locations*
 - *Overlay geographic information system data to translate this signaling data into mapping of outage to be displayed on the Entegrus website*

Enhanced Customer Communication: The Customer Service Experience

- Working with a consultant, all Entegrus customer service agents now have access to an on-line portal of survey results about their performance
 - *Graphical view of: Customer Satisfaction, Call Satisfaction, Rep Satisfaction, and successful First Call Resolution*
 - *Agents can view their results vs. the department*
 - *Management can view various ways, including by Customer Service Rep*
- The portal will also identify which type of issues are being handled well and where there are opportunities for improvement
 - *Additional training for identified topics*

Summary of Application Focus

- **Customer Feedback: Lower, affordable rates**
 - *Response: Minimize impact of rising commodity cost.*
- **Customer Feedback: Enhance reliability and reduce outages**
 - *Response: Ensure a reliable distribution system.*
- **Customer Feedback: Enhance Customer Communication**
 - *Response: Create or expand programs to improve the customer experience.*



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