

August 31, 2016

Ms. K. Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto, Ontario M4P 1E4

**Re: Cost of Service Distribution Rate Application Board File No EB-2015-0060
- Chapleau Public Utilities Corporation License number 2002-0528.**

Dear Ms. Walli,

Chapleau Public Utilities Corporation (CPUC) is pleased to submit its Cost of Service Distribution Rate Application all in accordance with the Ontario Energy Boards directives and guidelines.

CPUC is requesting an effective date of May 1, 2016 for the implementation of the proposed Electricity Distribution Rates and Charges.

Enclosed with this letter are two (2) hard copies and an electronic version of the documents and Exhibits used to develop the 2016 Cost of Service Distribution Rates.

These documents have been filed on behalf of Chapleau Public Utilities Corporation.

Sincerely,

Peter Ioannou

Enclosure

cc: Alan Morin, Chapleau Public Utilities Corporation.
File

GENERAL

Confidential Information

In preparing this Cost of Service Application Chapleau PUC has exercised confidentiality so as not to reveal any employee names with salary, home address or home telephone number. Chapleau PUC employs only 5 employees and therefore in preparing "Appendix 2 K Employee Costs" in the 2016 Filing Requirements Chapter 2, all salaries and wages have been combined as one amount.

Chapter 2 Appendices are included with this application in live Excel format and text is searchable and bookmarked PDF documents.

Two hardcopies of the application will be sent to the OEB the same day as the filling.

CHAPLEAU PUBLIC UTILITIES CORPORATION

LICENCE NO. ED-2002-0528

CHAPTER 2 - FILING REQUIREMENTS FOR ELECTRICITY

TRANSMISSION AND DISTRIBUTION COMPANIES

COST OF SERVICE RATE APPLICATIONS,

BASED ON A FORWARD YEAR BASIS

BOARD FILE NO. EB-2015-0060

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ADMINISTRATIVE DOCUMENTS

1. ADMINISTRATIVE

Application

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B of the *Energy Competition Act, 1998*:

AND IN THE MATTER OF an Application by Chapleau Public Utilities Corporation (CPUC) for 2016 electricity distribution rates, effective May 1, 2016, in accordance with the Ontario Energy Board's "Chapter 2 of the Filing Requirements for Distribution Rate Applications" issued July 16, 2015.

The applicant, CPUC, is a corporation incorporated pursuant to the Ontario Business Corporation Act having its head office in the Town of Chapleau and carries on the business of electricity distribution within the municipal boundaries of the Town of Chapleau.

Chapleau Public Utilities Corporation License Number ED-2002-0528 renewed December 18, 2014 with Special License Conditions.

Publication Notice

CPUC proposes that the notice will appear in both French and English in Chapleau Express, a free publication, having the highest circulation of approximately 1,400 and a readership of over 95% (approximately 2000).

Monthly bill impacts will also be identified in the publication notice for 800 kWh for residential customers for an increase of \$0.86 (0.62%) and for 2,000 kWh for General Service <50 kW customers for an increase of \$9.20 (2.83%).

Form of Hearing

Chapleau PUC requests that this Application be dealt with by way of a written hearing as this is simple and economic.

Contact Information

Key Contact:	Alan Morin Manager
E-mail:	cpuc@ontera.net
Treasurer	Jennifer Cyr Treasurer
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Phone:	705-864-0111
Fax:	705-864-1962
E-mail:	chec@onlink.net
Consultant	Peter Ioannou
Mailing Address:	76 Agincourt Drive Toronto, Ontario, M1S 1M6
Phone:	416-293-0235
E-mail:	peter.ioannou@bell.net

Legal Representation

Chapleau PUC does not have legal representation. If legal representation is required the Towns lawyers Weaver Simmons are engaged.

Internet Address

Chapleau PUC uses the Town's website, www.chapleau.ca to communicate with customers, list of rates and charges, condition of service, etc.

Facts and Location of the Town of Chapleau

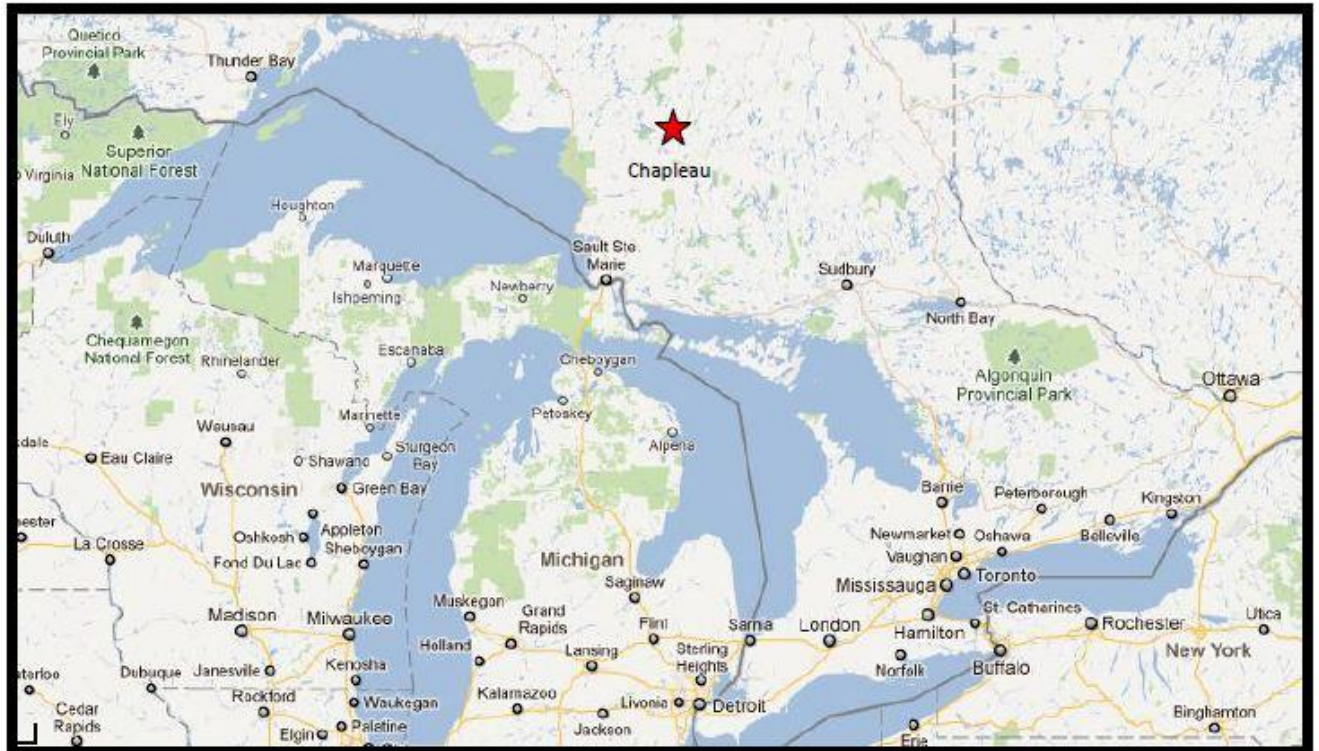
Chapleau Public Utilities Corporation (Company) is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumptions. The towns' economy has not improved from 2006, and the Town has experienced further population and customer losses through to 2016.

The Town of Chapleau is located in Northern Ontario, at latitude 47.82 degrees, longitude -83.35 at an elevation of 448.1 meters, as shown in Map # 1, (partial map of Northern Ontario) with a population of about 2,300 residents and has a customer base of just over 1,200 metered customers. The Town of Chapleau exists to service the logging/lumber industry and the Canadian Pacific Railway.

Chapleau is located:

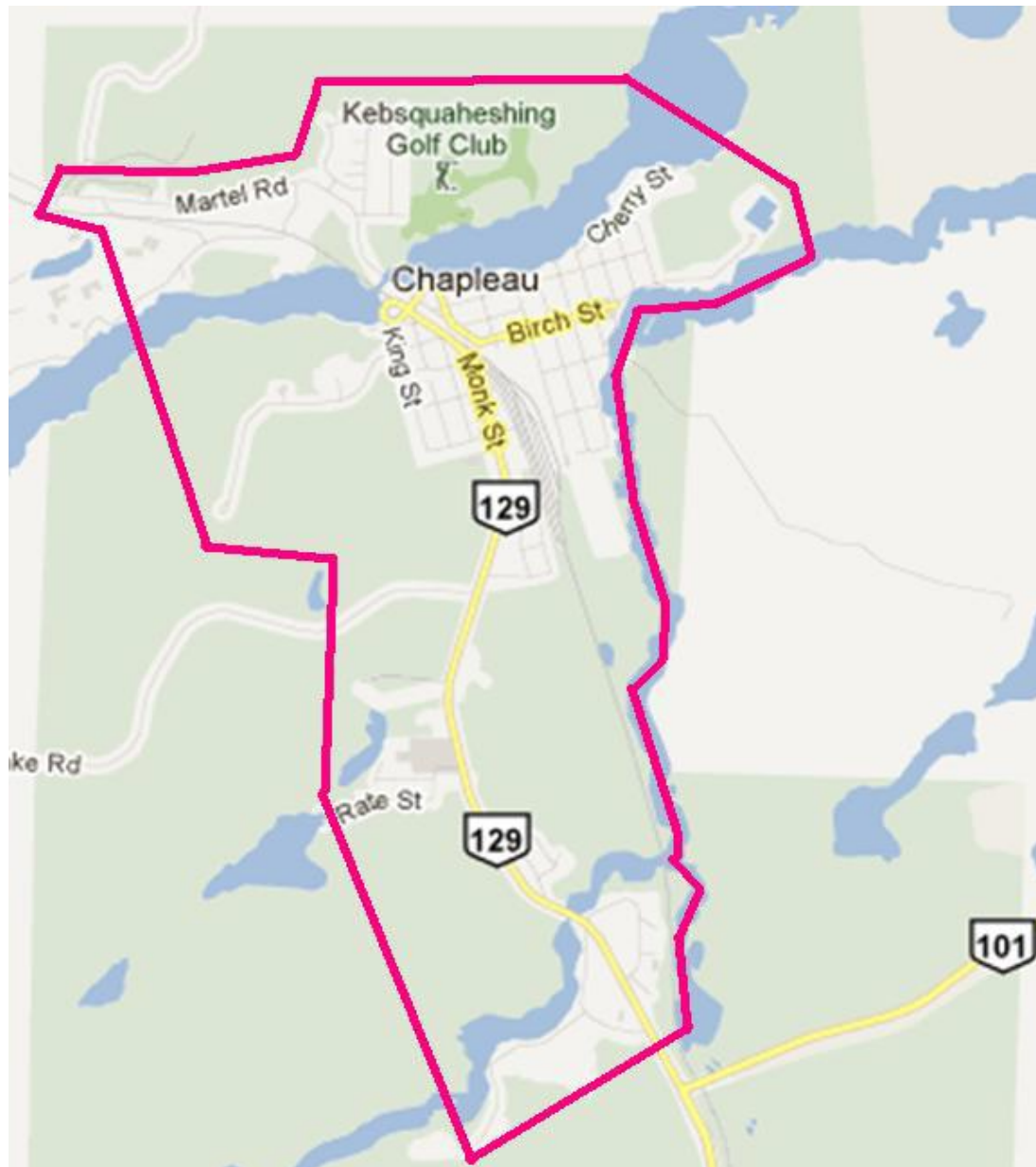
- 200 kilometers South West of Timmins
- 245 kilometers North East of Sault St Marie
- 410 kilometers North West of Sudbury
- 140 kilometers East of Wawa
- 790 kilometers North West of Toronto

Location of The Town of Chapleau



Partial map of Northern Ontario- Map #1

CPUC's service territory is shown in Map # 2, servicing an area of 2 square kilometers and 27 kilometers of roads where distribution lines exist.

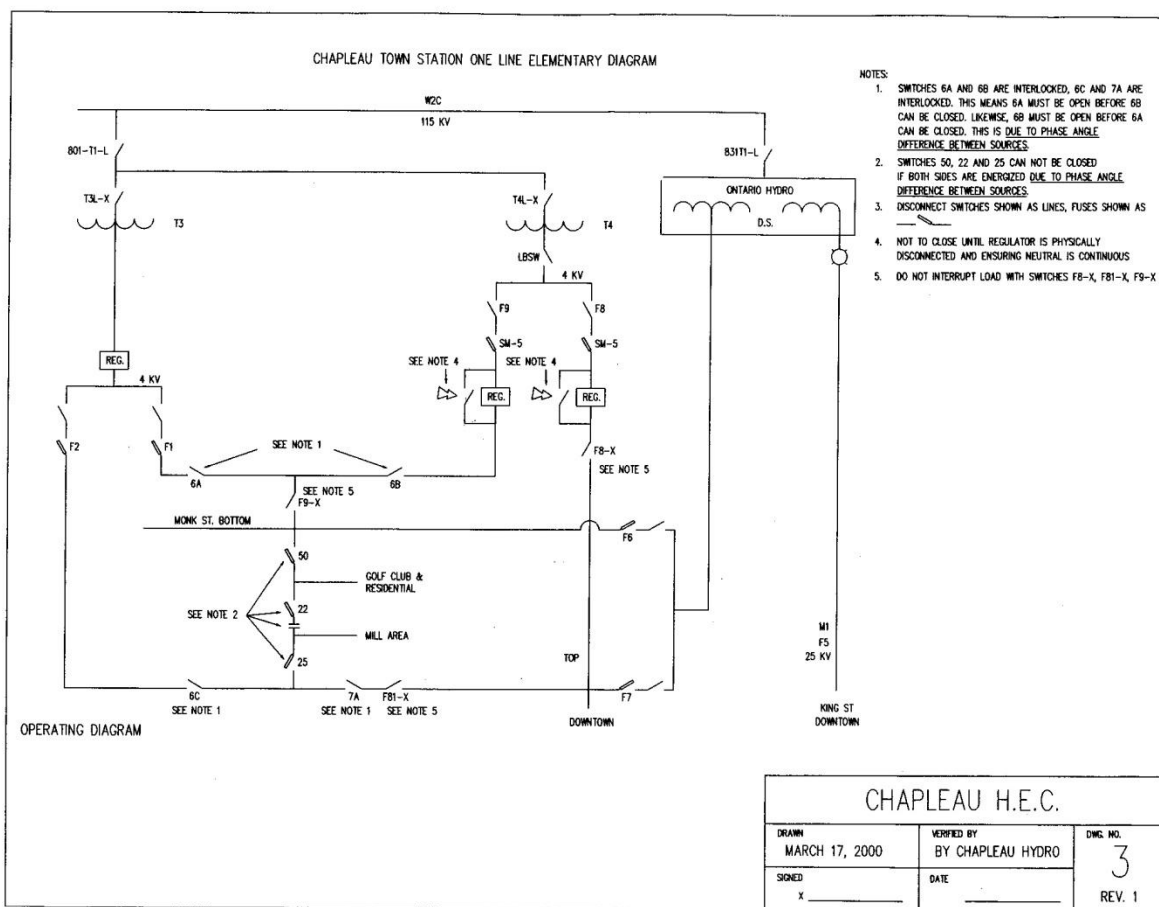


CPUC's Service Territory - Map # 2

Distribution System

CPUC's distribution system is connected to the 115 kV transmission system through Chapleau DS. The distribution system is comprised of two voltage systems: one at 4.16 kV and the other at 25 kV. CPUC owns two 115-4.16 kV transformers at the DS totalling 6.2 MVA which supply 3 feeders. In addition, CPUC has one 25 kV feeder supplied by Hydro One Networks Inc. which is limited to supplying approximately 3.5 MVA of capacity.

Approximately 60% of the distribution assets are rated at 4.16 kV and 40% are rated at 25 kV.



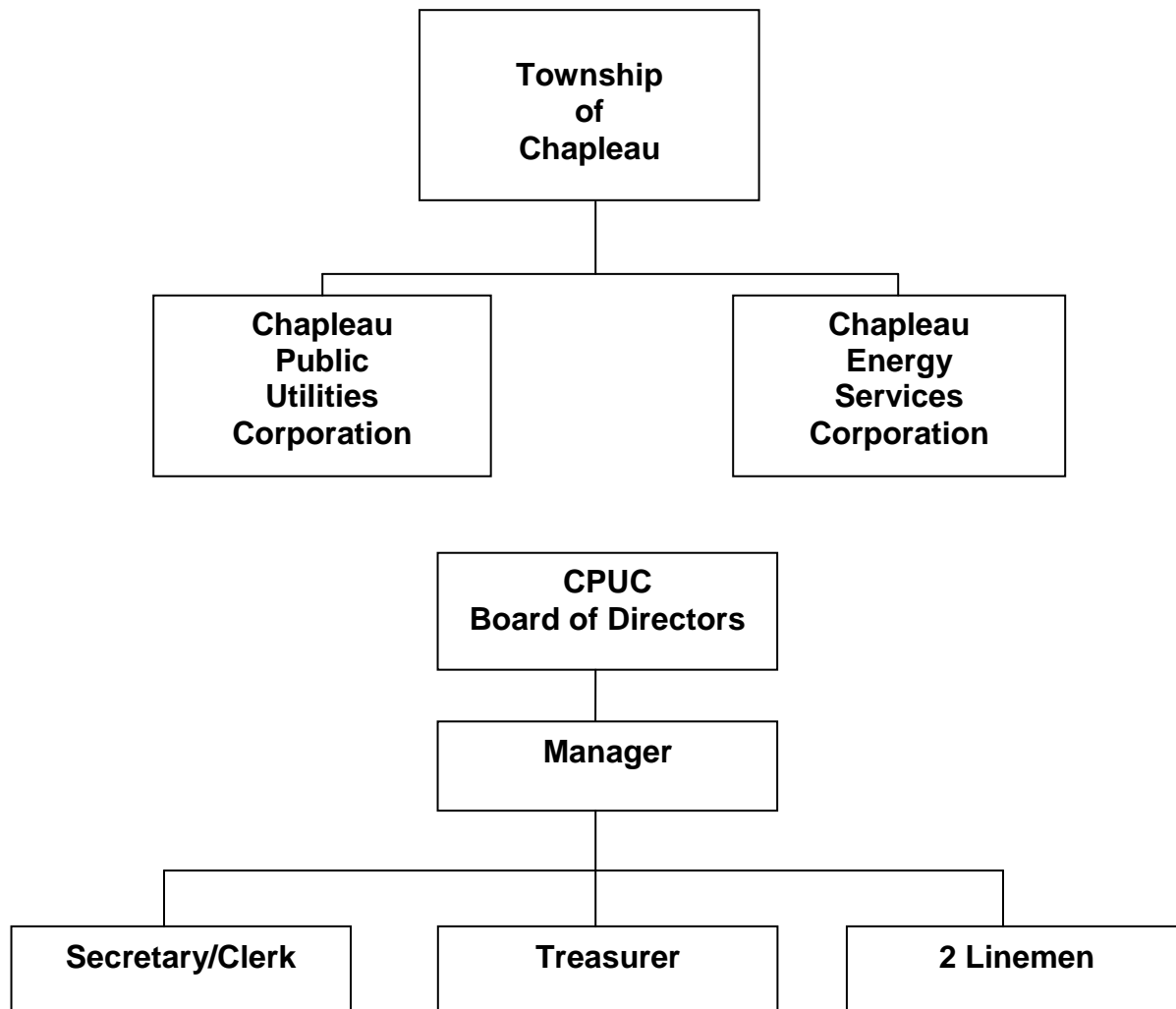
Neighboring Utilities

Hydro One Networks Inc. is the only neighboring utility serving all rural customers which also includes TEMBEC (the mill) who is the biggest employer for the town.

Host or Embedded Utilities

Chapleau Public Utilities Corporation is a partially embedded utility receiving approximately 37% of its load from Hydro One Networks Inc.

Utility Organization Chart and Corporate Entities Relationship Chart



The Township of Chapleau owns 100% of Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation.

Distribution Company

Chapleau Public Utilities Corporation (CPUC) is the local distribution company having 4 Board Members 2 of which represent the Shareholder, the Township of Chapleau; the Board and Management of the Utility reports to the shareholder annually at the Annual Shareholders meeting. The election of the Board members occurs at the Township of Chapleau Council Meeting. Qualified Board members are eligible for re-election.

Services Company

Chapleau Energy Services Corporation (CESC) is the service company having 3 Board Members 2 of which represent the Shareholder, the Township of Chapleau. The Board and Management of the Service Company reports to the shareholder annually at the Annual Shareholders meeting and the election of the Board members occurs at the Township of Chapleau Council Meeting. Qualified Board members are eligible for re-election.

Operation and Maintenance Service Agreement

Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation have an operation and maintenance service agreement between the two companies. The Utility employ's the Services Company to supply material, labour and equipment required for new construction, repairs and maintenance of the Utility's distribution system, management support, billing and collection, rent, phone, postage and office equipment. All services are charged to the Distribution Company at direct cost plus applicable overhead (no mark-up).

Changes in Corporate or Operational Structure

There are no planned changes in corporate structure. The above operational structure is new for 2016 following the retirement of Chapleau PUCs' Secretary/Treasurer. There are no planned changes to the above structure.

Compliance with all Board Directives

Chapleau Public Utilities Corporation has complied with all Board Directives from previous Board decisions and /or Orders.

Chapleau PUCs' Vision and Mission

Vision

- CPUC will operate standalone
- Good value for money
- Supportive of energy policies and directives
- Supportive of Chapleau EDC

Mission

- Cost effective and reliable
- Employees act with integrity, safety and responsibility

Board Mandate

Chapleau PUC has been providing safe, reliable, and affordable electricity service for over a century. Chapleau PUC is committed to providing the best possible value and service for customers, and to be the energy partner that its customers, whether Residential or General Service, can depend on.

Scheduled Meetings

Board Meetings are scheduled for the second Tuesday of every month.

Education of Directors

Continuing education of Directors occurs during Electricity Distributors Association (EDA) meetings and conferences.

Committees

Chapleau PUC does not have any committees.

Audit Committee

Chapleau PUC does not have an Audit Committees.

Code of Business Conduct

The Board of Directors of Chapleau PUC has not adopted a code for Directors, but has adopted a written "Code of Business Conduct" for officers and employees. The following is the written "Code of Business Conduct".

CHAPLEAU PUBLIC UTILITIES CORPORATION
Code of Business Conduct

Approved
By

Quick reference

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Introduction

Much has changed and is changing at Chapleau Public Utilities Corporation. We are a new organization with a new name. We have a new image that we are aggressively promoting and a new direction – to be “best in class” in energy delivery in Chapleau. This means focusing our efforts on putting our customers first in everything we do, and for the first time, our business is facing competition as electricity moves to the open market. We have set high standards for Chapleau Public Utilities Corporation, so there will be increased pressure to perform. With all of these changes and challenges, we can expect to face new and sometimes difficult ethical issues.

But what has not changed at Chapleau Public Utilities Corporation are the principles that guide us – principles that have built trust and confidence among employees, and with our customers, business partners and communities. Integrity, excellence and citizenship will continue to define how we do business at Chapleau Public Utilities Corporation.

Our Code of Business Conduct is based on these core principles. We can look to it, together with Chapleau Public Utilities Corporation’s policies and procedures as our guide when conducting day-to-day business, and when facing decisions involving ethical issues. Take the time to read through this booklet and keep it close at hand for future reference. With the Code of Business Conduct as guidance, we can be confident that all of us who work for Chapleau Public Utilities Corporation, including our Board of Directors, employees, agents, consultants, contractors and business partners will continue to make the right choices.

When each of us can do our best, we can be sure that we will reach our goal of being the best.

Our Principles

Everyone who works at Chapleau Public Utilities Corporation follows certain principles when conducting business. These principles are the foundation of Chapleau Public Utilities Corporation’s Code of Business Conduct and for the policies that reinforce it.

Chapleau Public Utilities Corporation expects every employee, at every level, to conduct herself or himself in accordance with this Code and will hold employees accountable for their conduct. If employees do not comply with this Code, they will be subject to disciplinary procedures, up to and including dismissal. Parallel expectations and associated consequences apply to our agents, consultants, contractors and business partners. For Chapleau Public Utilities Corporation to be successful, we must continue to earn the trust and confidence of our customers and stakeholders. Each business action and decision provides us with this opportunity.

Integrity, Excellence, and Citizenship.

These are the principles Chapleau Public Utilities Corporation stands for. They point the way to business conduct that makes for successful individuals and a successful company.

Integrity

Conducting business with unfailing honesty is what integrity is all about. So what does integrity mean at Chapleau Public Utilities Corporation? Integrity means that every employee at every level of the organization:

- Conducts business lawfully and ethically, establishing honest dealings in all relationships and expecting the same of those with whom we have business relationships.
- Avoids conflict of interest between their personal interests and their role in the conduct of company business.
- Does not disclose sensitive or confidential information inappropriately.

- Recognizes the value of competition and does not engage in practices that seek to reduce the openness and fairness of competition. We do not prevent others from competing freely and fairly with us, except when constrained by law.
- Protects the company's assets and uses them responsibly.

Excellence

Chapleau Public Utilities Corporation is on a journey to be the “best in class” in energy delivery in Chapleau. Our ambitious goals demand excellence from everyone in the organization. How do we demonstrate excellence?

- In our attitude towards our work, a commitment to providing our customers with service and products of the best value.
- By striving for continuous performance improvement, always looking for innovations that help our customers and the business.
- By seizing opportunities to upgrade our own skills and to develop the talents and abilities of others.
- By fostering and maintaining respectful and trusting relationships with our colleagues, working collaboratively with them in a team effort to reach for excellence in everything we do.

Citizenship

Every day, our work at Chapleau Public Utilities Corporation touches the lives of people across the area. They depend on us, and we have a responsibility to them. We can show our citizenship by:

- Respecting and supporting the social and cultural fabric of the communities where we work, live, and serve.
- Conducting our business in an environmentally responsible manner.
- Conducting our business in a way that protects the health and safety of our fellow employees and the public.
- Treating our fellow employees and all others with respect and dignity. We value the diversity of human beings. We do not tolerate the harassment of any person.

Code of Business Conduct

This section describes the standards of business conduct Chapleau Public Utilities Corporation expects from every employee at every level of responsibility. These standards of conduct apply in every part of the company and to any subsidiary, whether operating domestically or internationally. The standards apply to all Chapleau Public Utilities Corporation employees, and to the extent feasible, are equally applicable to our agents, consultants, contractors and business partners.

We honour all laws, regulations and contractual obligations.

If there is a case where the Code does not provide the answer to a particular ethical issue, or if you have questions about our Code of Business Conduct, talk to your supervisor. If they cannot answer your question, they will direct you to Chapleau Public Utilities Corporation's Secretary-Treasurer.

Work Environment

Safety and Health

Safety and health are one of the keys to the success of the company. Healthy employees working safely are essential to achieving our business goals. We all have accountability for safety and health. Fulfilling our individual accountabilities is a vital and fundamental requirement of every employee's job. Supervisors will have prime responsibility for managing safety and health and will visibly support practices and programs that promote excellence. Each of us has a personal responsibility to come to work fit for duty, to work safely and to identify, report, and where appropriate, correct workplace hazards.

The delivery of products and services in a safe manner is essential to the success of the business. We are committed to minimizing the risk of injury to the public associated with our operations and the provision of services.

Diversity

We value the background, experience, perspective, and talent of each individual. We strive to create a workforce that reflects the diverse population of the community in which we operate. We regard differences as positive: they help us provide better products and services to our customers.

We do not discriminate in hiring and employment practices on grounds prohibited by applicable law, which includes such grounds as race, ancestry, color, place of origin, sex, ethnic origin, age, marital and family status, physical abilities, sexual orientation, creed, religion, or citizenship.

Harassment

We treat customers, clients, suppliers, and colleagues with dignity and respect.

We do not tolerate personal harassment, including behavior that demeans, threatens, or humiliates a person or group of people. We do not tolerate sexual or racial harassment. We do not tolerate comments or conduct that ridicule or disparage a group of employees, even if not directed at a particular employee. We do not tolerate any behaviors that may promote physical violence in the workplace. Workplace violence often begins with harassment. We have a duty to take preventive action by bringing forward information relating to emerging situations in the workplace that may result in physical violence.

Work Performance

As employees, we take accountability for our work and for our results. We expect to be evaluated by such standards as quality, quantity, timeliness, and whether the work has been completed safely and within the limits of allocated resources. In our increasingly competitive environment, these standards are constantly rising and we are committed to giving our full effort in everything we do. We recognize that we must continue to seek new ways to be more effective and efficient. We expect our supervisors to follow leadership practices that promote an environment where high performance is encouraged. We expect our supervisors to set clear expectations and to provide appropriate support and timely feedback. We expect a work environment in which suggestions for improvement are welcomed and implemented where appropriate.

Developing our Potential

As a company, we recognize that the capability and commitment of our people is an immensely valuable asset that is critical to our business success. Supervisors are expected to treat employees in a manner that encourages commitment. At the same time, supervisors are held accountable for maintaining and enhancing the capability of their unit. Although each of us is responsible for our own career planning and development, we understand that the company will support our active pursuit of a jointly agreed and supported development plan. As a result, we can expect to increase our personal contribution and value as well as our collective capability within the company.

Conflict of Interest

Avoiding Conflicts of Interest

We avoid any conflict of interest; that is, we avoid any situation where our personal interest interferes in any way or even appears to interfere with the interests of Chapleau Public Utilities Corporation and the making of decisions with honesty and integrity. There are three broad guidelines for avoiding conflicts of interest:

- Any business decision for Chapleau Public Utilities Corporation is to be based on merit and made strictly in the best interest of Chapleau Public Utilities Corporation;
- No personal benefits, whether direct or indirect are to be derived for ourselves, family members or friends as a result of reaching business decisions on behalf of Chapleau Public Utilities Corporation; and
- We are to avoid any situation that may – or even appear to – create a conflict of interest between our personal interests and those of Chapleau Public Utilities Corporation.

Areas of conflict of interest that may arise in the course of our day-to-day work are covered in other sections. We have an obligation to declare any conflict of interest any potential or perceived conflict of interest to management at any level or to the Secretary-Treasurer, as outlined under “compliance”.

Outside Business Activities

While we all have a right for personal freedom outside working hours, certain outside business activities may constitute a conflict of interest.

We do not serve as directors of any organization that supplies to Chapleau Public Utilities Corporation, buys goods or services from Chapleau Public Utilities Corporation, without the approval of the Secretary-Treasurer.

We may work for another organization, including one set up by ourselves, provided it is not a supplier, a commercial or industrial customer, or a competitor of Chapleau Public Utilities Corporation, or does not affect our work performance at Chapleau Public Utilities Corporation. Where it is not clear whether external work interferes with our duty to Chapleau Public Utilities Corporation or affects our work performance at Chapleau Public Utilities Corporation, it is the responsibility of the employee to seek the prior approval of the Secretary-Treasurer. We do not perform work for the other organization on Chapleau Public Utilities Corporation time, nor do we use Chapleau Public Utilities Corporation equipment, supplies, personnel or intellectual property for the use of the other organization.

We do not promote any non-Chapleau Public Utilities Corporation product or service to others during working hours. Customers and colleagues from the outside activity may not contact us at Chapleau Public Utilities Corporation workplaces. We do not sell products and services from our outside work to Chapleau Public Utilities Corporation.

Investments

Investment in a Chapleau Public Utilities Corporation competitor or supplier can create a potential conflict of interest. We and our immediate family members – including common-law relationships – normally may not hold any ownership or financial interest in any organization that competes with any business activity of Chapleau Public Utilities Corporation or that sells goods and services to the company where that interest may give rise to a potential or perceived conflict of interest. Exceptions include where the interest is exercised through a blind trust, or equivalent, such as a mutual fund, or as discussed below.

While, as an example, ownership of less than five per cent of the issued shares of a publicly traded corporation would be permitted for an employee and immediate family members in total, there may be situations in which such ownership would give rise to the potential for conflict of interest. Any holdings, which exceed these limits, will be approved only on an exception basis, and must receive prior approval from the Secretary-Treasurer.

It is the responsibility of employees to disclose to the Secretary-Treasurer, any investments which contravene these guidelines. With respect if the investment or financial interest exceeds five per cent of the issued shares or the value of the company or if an investment below this level could be perceived to create a potential conflict of interest. As well, disclosure is not required for investments held in a blind trust or equivalent, such as a mutual fund.

In addition, in order to avoid conflict of interest situations, when we are aware that a family member or a friend has more than five percent ownership in a competitor or supplier of Chapleau Public Utilities Corporation, we must inform the Secretary-Treasurer, both of the ownership interest and of our relationship to the investor. It is the responsibility of management to ensure that the employee appreciates the potential conflict of interest that might arise from his/her relationship with the investor.

Confidential Information

Confidential information includes proprietary, technical, business, marketing strategies, financial, trade secret, intellectual property, joint venture, and personal information about customers and employees that is not made available publicly. We are responsible for knowing what information must remain in confidence and for seeking clarification from our supervisor if in doubt.

We do not disclose confidential information – except as required by law – to anyone outside Chapleau Public Utilities Corporation, including family and friends, even after we have left Chapleau Public Utilities Corporation’s employ. Within Chapleau Public Utilities Corporation, we do not disclose sensitive information to colleagues other than is necessary to ensure that we can effectively perform our assigned work. We protect confidential information against theft, fraudulent use, loss, unauthorized access, or misuse (notably as it relates to how we collect, store and retain confidential information on our computer

assets). We recognize that any unauthorized use of confidential information exposes Chapleau Public Utilities Corporation to legal, commercial and liability risks.

Personal information about employees must be managed and kept in a confidential manner respecting the privacy of the individual, and taking into account our obligations under any applicable legislation and our business practices.

Purchasing and Suppliers

We protect Chapleau Public Utilities Corporation's reputation by refusing to make purchasing decisions based on favouritism, prejudice, preferential treatment or personal gain. We make them honestly and with integrity, using such criteria as competitive pricing, quality, quantity, delivery, and service. We refuse involvement in purchasing decisions that could lead to a conflict of interest, and we declare to the Secretary-Treasurer all conflicts or potential conflicts, seeking guidance from our Secretary-Treasurer when we are uncertain.

We treat suppliers courteously, respectfully, and in a professional manner.

We inform suppliers of our Code of Business Conduct and we expect suppliers to abide by it. Non-compliance should be communicated to our supervisor and a decision made by the accountable supervisor on a case-by-case basis about what actions should be taken. An example of an action would be to discuss our ethics with suppliers and make it known to them their conduct is unacceptable. A relationship with a supplier should be ended if there is a lack of improvement, consistent with any contractual obligations.

Conducting Business Relationships Gifts and Entertainment

Chapleau Public Utilities Corporation employees, agents and business partners do not offer, give, solicit, or receive any form of bribe or kickback. We also exercise due diligence to ensure that agents and representatives acting on Chapleau Public Utilities Corporation's behalf are not themselves offering bribes and kickbacks.

Exchanges of reasonable business gifts and entertainment (e.g. meals, beverages, and invitations to recreational or social outings) are courtesies designed to build understanding and goodwill among business partners and reflect commonly acceptable business practice.

The problem arises when they begin to compromise, or even appear to compromise our ability to make objective and fair business decisions. When this occurs we are involved in a conflict of interest situation.

The onus is on everyone to use good judgment and think about the implications before accepting or giving gifts, entertainment of similar favors. They should be of a nature and amount that should not constitute a real personal enrichment of the recipient, avoid embarrassment, and would not reflect favorably on Chapleau Public Utilities Corporation or the recipient, if subjected to public scrutiny.

Such practices are permissible only where they serve a legitimate business purpose, are appropriate to the business responsibilities of the individual, do not impose any sense of obligation on the recipient, are properly recorded, and are of a nature that Chapleau Public Utilities Corporation could and would reciprocate. In no circumstances are we to give or receive cash or equivalent vouchers. We exercise integrity, prudence and judgment in incurring and approving business expenses.

As a participant in the marketplace, Chapleau Public Utilities Corporation or its subsidiaries may engage in promotional activities such as contests or giveaways. Such activities are forms of advertising. Their purpose is to promote the company's products and services and is an accepted industry practice.

Insider Trading and Personal Advantage

We do not divulge confidential or proprietary information that we learn in our work for our company and its affiliates, and their customers and suppliers, to any unauthorized person, or release confidential information in advance of its authorized release. We do not use for private speculation or personal advantage, data or information that is not available to the general public.

Protecting the Environment

The Environment

We will comply with all environmental laws and regulations and will move beyond compliance where it makes good business sense to do so. We will increase our competitiveness and maximize value to shareholders by making efficient use of resources, preventing pollution and reducing environmental impacts and liabilities to the extent that is reasonably achievable. We will set environmental objectives and targets, monitor our performance relative to expectations, and implement programs to achieve continual improvement.

Supervisors are expected to provide visible leadership and employees are expected to know and comply with corporate and subsidiary policies, procedures and standards, which incorporate legal requirements and generally accepted industry practices.

Safeguarding Company Assets

Proper Use of Assets

We protect the company's assets (fixed and moveable property, personnel, information, intellectual property and commodities), use them properly, safely, efficiently, and only for Chapleau Public Utilities Corporation business. We do not use company assets in a manner that compromises our competitive business practices or offends, harasses, or promotes unacceptable behavior (improper use of email and Internet).

We protect our assets from theft, fraud, destruction, vandalism or neglect. We dispose of company property in an ethical and approved manner. Internal or employee theft or fraud will not be tolerated.

Any use of company assets for a non-business reason (charitable work, for example) must be approved by the Secretary-Treasurer. Effective protection of our company assets can enhance our competitive edge.

Accounting and Finance

Chapleau Public Utilities Corporation will conduct its financial affairs only for lawful and proper purposes in accordance with approved authorities, and properly record resulting transactions. No undisclosed funds or accounts may be established. All cash and bank account and other business transactions are handled in a manner that avoids any questions of bribery, kickbacks, other illegal or improper payments or any suspicion of impropriety whatsoever.

Business Reporting

All Chapleau Public Utilities Corporation reports, accounting records, research reports, sales reports, expense accounts, time sheets, and other documents must accurately and clearly represent the relevant facts or true nature of a transaction.

Managing Risk

We will appropriately identify and control the company's risks, within the limits of our accountabilities and allocated resources. This does not mean eliminating all risks, but rather it means mitigating the risks to acceptable levels for the company. Risk is defined as any possible event that may adversely impact the company's business objectives. We will understand the business objectives relevant to our work, and ask our supervisors for help or information on objectives where these are not understood. If, in our opinion, there are situations where risks are not being appropriately controlled, either by other Chapleau Public Utilities Corporation employees or by contract employees, we will discuss the situation with our supervisors and, if not resolved, we will consult the Secretary-Treasurer for direction.

Using Email and the Internet

Access to email and the Internet is made available to promote effective work related research, improve our development and enhance corporate wide communication. Since the Internet is an "open" environment and accessible to numerous users, care must be taken to protect all information, including information of a commercially sensitive or confidential nature.

When using email or the Internet we will not download programs not already supported by Chapleau Public Utilities Corporation, participate in non-work-related chat lines, access sites carrying socially or politically offensive material, send chain letters, send threatening, slanderous or harassing messages or send, view or obtain pornographic material.

We will also not use the Internet to play games, gamble, conduct personal business or financial ventures, post or send messages under disguised identification or send confidential information unless effectively protected (i.e. using encryption).

Relationships

Relationships with Customers

In all aspects of doing business with customers, we strive to build a strong and mutually valued relationship. We demonstrate that Chapleau Public Utilities Corporation is a customer-focused company in every transaction. We strive to give our customers high value reliable products and services. We seek customers' views on issues affecting them, consider their views, and give them feedback where possible. Customers are given the information they need to make informed choices and they receive truthful information about our products and services. Their safety and health is protected. We respect our customers' privacy and diversity. In all interactions with customers, every employee shall act as an ambassador of Chapleau Public Utilities Corporation thereby treating customers courteously, respectfully, and in a professional manner.

Fair Competition

We obey the laws governing competition, not conspiring with anyone to lessen fair competition. We do not engage in anti-competitive practices or illegal activities such as price-fixing, bid-rigging, and kickbacks. We support competitive procurement practices and engage a variety of methods and processes to do this.

Information about competitors must be gathered in a lawful manner. We do not, either directly or through a third party, misrepresent ourselves, use a third party, or offer bribes or gifts, to solicit proprietary information about competitors. Sensitive or proprietary information is not solicited from Chapleau Public Utilities Corporation employees who once worked for a competitor.

Relationships with Non-profit and Professional Organizations

We have a civic responsibility to contribute to our communities and to our professional organizations, proven our participation does not interfere with our duty to Chapleau Public Utilities Corporation. We avoid participating in any activity that may interfere with our duties to Chapleau Public Utilities Corporation. We only perform services for an organization on company time when we have prior approval from our supervisor. If we act as a spokesperson for an organization, we make it clear we are speaking for that organization or for ourselves, and not acting as a spokesperson or representative of Chapleau Public Utilities Corporation.

Political Participation

As private citizens, we take part in the democratic process at any level, including campaigning in elections, on our own time. Prior company approval is required if we need a leave of absence to participate, and our participation must be kept strictly separate from our association with Chapleau Public Utilities Corporation.

Conducting International Business

We apply Chapleau Public Utilities Corporation's Code of Business Conduct to all the company's operations, international as well as domestic. Chapleau Public Utilities Corporation employees, agents and joint venture partners comply with the letter and spirit of domestic and foreign legal requirements as they apply to all business activities.

Chapleau Public Utilities Corporation employees, agents and business partners are committed to ensuring that internationally-recognized human rights, including the rights of women, children, and indigenous and tribal peoples, are respected in all Chapleau Public Utilities Corporation activities, wherever Chapleau Public Utilities Corporation does business.

We consult with relevant government authorities and local communities to ensure a project does not pose a disproportionate physical, social, or economic danger to the neighboring populations, property, or environment.

Ensuring Compliance

At Chapleau Public Utilities Corporation, we are committed to building upon our well-earned reputation as an ethical and credible company. For each of us, this means living up to the principles of integrity, excellence and citizenship in everything we do, as well as ensuring complete compliance with our **Code of Business Conduct**.

Your accountabilities and reporting responsibilities are outlined below. If you have any questions or concerns about your obligations, be sure to discuss them with the Secretary-Treasurer.

Accountabilities

Employees throughout the organization and in all businesses are expected to comply with the Code of Business Conduct. This means reading the Code and making sure that you fully understand it, and it means declaring all potential conflicts of interest and reporting any suspected violations as soon as they become known.

If you are aware of conduct that may violate the Code, or even appears to violate the Code, you have an obligation to report it to your supervisor without delay.

If you don't feel comfortable raising the issue with your supervisor, take your concerns to the Secretary-Treasurer of Chapleau Public Utilities Corporation who will initiate an appropriate investigation and provide feedback to you. In all reporting, you are assured that there will be no reprisals. Wherever possible, your identity will be kept confidential.

Supervisors, in addition to their responsibilities as employees, are charged with making sure that their employees understand and comply with the Code. As the first point of contact for employees who have questions regarding the Code and ethical issues, supervisors need to be a knowledgeable and reliable source of advice, and they must ensure that employees feel comfortable bringing their concerns forward. Supervisors must avoid breaching an employee's confidence. If this proves to be unavoidable, the supervisor is obliged to inform the employee of the disclosure. Suspected violations of the Code are to be reported by supervisors without delay to the Secretary-Treasurer.

The Secretary-Treasurer is accountable for making sure that the appropriate actions are taken to investigate and resolve known or suspected violations of the Code, and for ensuring the tracking and reporting on Code of Business Conduct violations.

Purpose of this Application

The purpose of this application is to rebase Chapleau Public Utilities Corporation rates by applying current data with current revenue and cost requirements on a Cost Allocation basis to eliminate any cross subsidization that may exist between customer classes and to develop fair and reasonable distribution rates that will allow the utility and its customers to move forward during difficult economic times in a Northern Ontario Community.

Effective Date of Application

The timing for rate approvals, of May 1, 2016, in this application will allow Chapleau Public Utilities Corporation (Company) to address (a) its revenue deficiency of \$68,864, and (b) continue to perform repair and maintenance of the aging distribution system to improve safety and reliability.

In the event that the OEB is unable to provide a Decision and Order in this Application for implementation as at May 1, 2016, Chapleau PUC requests that the OEB declare its current rates interim, effective May 1, 2016, pending the implementation of the OEB's Rate Order for the 2016 rate year, and that the OEB approve a rate rider that will enable Chapleau PUC to recover its incremental Revenue Requirement from the period of May 1, 2016 to the effective date of the Schedule of Rates and Charges approved by the OEB for 2016.

Revenue Requirement

The Revenue Requirement work form has been completed and can be viewed as APPENDIX A in this application.

Sheet 9 "Revenue Requirement" extracted from the Revenue Requirement work sheet shows CPUC's Total Revenue Requirement of \$891,122 for the 2016 Test Year which compares well with the 2012 Revenue Requirement of \$840,654.

Main drivers for the difference of \$50,468 in Total Revenue Requirement are as follows:

- OM & A expenses increased by \$69,933 mainly due to increases in: a) salaries of \$24,000, consisting of a promotion within the Company to replace the Secretary Treasurer \$9,000, for a merit increase \$5,000 and annual increases to all staff: b) increases in employee benefits by \$22,700: c) balance of \$23,233 is for inflationary increases for goods and services.

- Amortization/Depreciation used is \$74,699 as per worksheet "App.2-CK MIFRS_DepExp 2016" and is lower by \$877.
- Deemed interest and Return on Equity is lower in 2016 by \$6,322 caused mainly by the change in Working Capital rate from 15.0% to 7.5% and a Lower Rate Base.
- Reduced Income Taxes (Grossed Up) by \$13,143

Revenue Requirement

Line No.	Particulars	Application 2016	Application 2012
1	OM&A Expenses	\$720,300	\$644,340
2	Amortization/Depreciation	\$74,699	\$75,576
3	Property Taxes	\$8,000	\$10,150
5	Income Taxes (Grossed up)	\$671	\$13,814
6	Other Expenses	\$ -	\$3,000
7	Return		
	Deemed Interest Expense	\$36,298	\$38,606
	Return on Deemed Equity	\$51,154	\$55,168
8	Service Revenue Requirement (before Revenues)	<u>\$891,122</u>	<u>\$840,654</u>
9	Revenue Offsets	\$43,505	\$41,735
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$847,617</u>	<u>\$798,919</u>
11	Distribution revenue	\$847,617	\$798,919
12	Other revenue	\$43,505	\$41,735
			\$840,654
13	Total revenue	<u>\$891,122</u>	<u>0</u>
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$0</u>	

Revenue Deficiency/Sufficiency

Sheet 8, "Revenue Deficiency/Sufficiency" extracted from the Revenue Requirement work sheet shows CPUC's revenue deficiency calculated at \$68,864 and a total 2016 Test Year Total Revenue Requirement of \$891,122. Revenue Requirement at current rates is calculated at \$822,258.

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application	
		At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$68,864
2	Distribution Revenue	\$778,753	\$778,753
3	Other Operating Revenue Offsets - net	\$43,505	\$43,505
4	Total Revenue	\$822,258	\$891,122
5	Operating Expenses	\$802,999	\$802,999
6	Deemed Interest Expense	\$36,298	\$36,298
8	Total Cost and Expenses	\$839,297	\$839,297
9	Utility Income Before Income Taxes	(\$17,039)	\$51,825
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$47,350)	(\$47,350)
11	Taxable Income	(\$64,389)	\$4,475
12	Income Tax Rate	15.00%	15.00%
13	Income Tax on Taxable Income	(\$9,658)	\$671
14	Income Tax Credits	\$ -	\$ -
15	Utility Net Income	(\$7,380)	\$51,155
16	Utility Rate Base	\$1,391,572	\$1,391,572
17	Deemed Equity Portion of Rate Base	\$556,629	\$556,629

18	Income/(Equity Portion of Rate Base)	-1.33%	9.19%
19	Target Return - Equity on Rate Base	9.19%	9.19%
20	Deficiency/Sufficiency in Return on Equity	-10.52%	0.00%
21	Indicated Rate of Return	2.08%	6.28%
22	Requested Rate of Return on Rate Base	6.28%	6.28%
23	Deficiency/Sufficiency in Rate of Return	-4.21%	0.00%
24	Target Return on Equity	\$51,154	\$51,154
25	Revenue	\$58,535	\$0
26	Deficiency/(Sufficiency)		
	Gross Revenue	\$68,864	(1)
	Deficiency/(Sufficiency)		

Budgeting Assumptions

Chapleau Public Utilities Corporation (Company) is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumptions. The towns' economy has not improved from 2006, and the Town has experienced further population and customer losses through to 2016.

Year	Population	% Change	Metered Customers	% Change
2001	2,832	-	1,398	-
2006	2,354	(16.9)	1,310	(6.3)
2011	2,116	(10.1)	1,287	(1.8)
2016	2,100 (Est)	(0.7)	1,238 (Est)	(3.8)

The information compiled by CPUC during the Budgeting process was derived mostly from historical data from 2012 to 2015 for both 2015 Bridge Year and 2016 Test Year for the Operating, Maintenance and Administration Expense Forecast and was based on current operating priorities, year to date results for 2015 and expected changes that will occur in the near future. Each item was reviewed and analyzed individually during the budget/forecast process. The accounting standard used for bridge and test years is the IFRS.

Capital Budget for 2015 actual/forecast was influenced (cancelled projects) by CPUC's Board and Management upon the approval to proceed with the new 25 kV sub-station that will eventually replace the 4.16 kV sub-station. Most Capital additions previously budgeted were for the 4.16 kV distribution system and therefore these projects were cancelled in 2015.

Load Forecast Summary

To prepare its Load and Customer count forecast CPUC has used the same regression analysis methodology used by a number of other distributors between 2009 and 2016 cost of service rate applications to determine a prediction model. It is appropriate that conducting a regression analysis on historical electricity purchases to produce an equation to predict purchases.

The results are as follows:

Summary of Load and Customer/Connection Forecast						
Year	Billed kWh	Change	% Change	Customer/ Connection Count	Change	% Change
2003 Actual	32,559,118			1,747		
2004 Actual	31,044,406	-1,514,713	-4.88%	1,734	-13	-0.75%
2005 Actual	29,513,664	-1,530,742	-5.19%	1,730	-4	-0.23%
2006 Actual	28,429,027	-1,084,638	-3.82%	1,681	-49	-2.91%
2007 Actual	28,525,074	96,048	0.34%	1,705	24	1.41%
2008 Actual	28,582,032	56,958	0.20%	1,701	-4	-0.24%
2009 Actual	28,674,687	92,655	0.32%	1,690	-11	-0.65%
2010 Actual	26,167,966	-2,506,721	-9.58%	1,676	-14	-0.84%
2011 Actual	26,893,563	725,597	2.70%	1,657	-19	-1.15%
2012 Actual	26,031,597	-861,966	-3.31%	1,631	-26	-0.23%
2013 Actual	27,174,709	1,143,112	4.21%	1,603	-28	-1.59%
2014 Actual	27,940,070	795,361	2.85%	1,590	-13	0.82%
2015 Normalized	26,475,527	-1,464,543	-5.53%	1,586	-4	-0.24%
2016 Normalized	26,061,255	-414,272	-1.60%	1,583	-3	-0.19%

Load Forecast 2015 and 2016

Customer Classes	2015 Bridge Year			2016 Test Year		
	# Customers	kWh	kW	# Customers	kWh	kW
Residential Customers	1,065	14,458,774		1,063	14,291,097	
Gen Service <50 kW Customers	153	4,942,820		152	4,842,432	
Gen Service >50 kW Customers	13	6,769,262	17,660	13	6,630,340	17,296
Unmetered Scattered Load	4	3,860		4	3,584	
Sentinel Lighting	23	27,099	66	23	26,757	66
Street Lighting	328	273,712	724	328	267,045	724
TOTAL	1,586	26,475,527	18,450	1,583	26,061,255	18,086

Rate Base and Capital Plan

CPUC Rate Base for the 2016 Test Year and the changes from the last approved 2012 Cost of Service Application is as follows:

Rate Base

Particulars	2016 COS Application		2012 COS Application	
	Allow Work Cap	Application	Allow Work Cap	Application
Gross Fixed Assets (Ave)		\$2,754,517		\$2,554,525
Accumulated Depreciat'n (Ave)		(1,662,622)		(1,517,843)
Net Fixed Assets		\$1,091,896		\$1,036,682
Controllable Expenses	\$728,300		\$654,490	
Cost of Power	3,267,388		2,516,183	
Working Capital Base	\$3,995,688		\$3,170,673	
Working Capital Rate	@ 7.5%		15.0%	
Allowance for Working Capital	\$299,677	\$299,677	\$475,601	\$475,601
Total Rate Base		\$1,391,572		\$1,512,283

The above analysis shows that the Total Rate Base for 2016 reduced from 2012 by \$166,650 or 11.02%. Reasons for this change is:

- The change of working Capital Rate from 15.0% to 7.5% - impact is \$175,924.
- Changes in the accounting standard from CGAAP to MIFRS, changes to the useful life of assets and the various capital additions over the last 4 years shows an increase in Net Fixed Assets of \$9,274. (These changes over the years will further reduce accumulated depreciation and will increase Net Fixed Assets).

Capital Expenditures for Test Year

Chapleau PUC has not made significant capital investments to its distribution plant in recent years, resulting in a distribution system that is operational but aging. More recently CPUC experienced relatively high line loss ratios that escalated to a current 5 year average of 1.0898.

In 2014 Chapleau PUC engaged Burman Energy to develop their Distribution System Plan and to recommend ways to reduce CPUCs energy losses, improve service reliability and safety.

Four distribution system plan investment options were reviewed by CPUC including:

1. Intrinsic Model: Do not make any capital investments and keep future distribution rate increases at 0%.
2. Recapitalization Model: Borrow funds as needed to maintain the current system.
3. DSP Investment Optimization Model: Invest in a new modern distribution system through borrowings and a small increase in distribution rates.
4. DSP "Not-For-Profit" Model: Invest in a new modern distribution system through borrowings with no increase in future distribution rates.

Based on the above presentations to CPUC and the Township Council, the DSP Investment Optimization Model was selected as the preferred option for CPUC to reduce energy losses, improve service reliability and safety. The investment strategy will entail a significant capital investment in CPUC's distribution plant over an eleven year period. Phase one of the investment strategy is to build a new 25 kV substation and Phase two will convert and upgrade its distribution system assets (i.e. poles meters and distribution assets) to the new 25 kV standard at a total project cost of \$3,055,000.

The timing and cost for the project is as follows:

	Substation	System Conversion
Start building 25 kV substation in 2016	\$750,000	\$35,000
Completion of 25 kV substation in 2017	\$750,000	\$50,000
Annual System Conversion from 4.16 kV to 25 kV at an annual cost of \$200,000 for 7 years to 2024		\$1,400,000
Final Year for conversion 2025/6		\$70,000
Total Cost (\$3,055,000)	\$1,500,000	\$1,555,000

CPUC contemplates that they will enter into a long term debt agreement to finance \$1,035,000 of the \$3,055,000 most likely with Infrastructure Ontario. Balance of the funds to complete building of the 25 kV substation will come from the CPUC's cash and short term investments of approximately 500,000. Most of this cash is redundant or is in excess to the operating needs of the Company.

The \$785,000 expenditure for 2016 is included in the Fixed Asset Continuity Schedules as a Work in Process Asset and therefore is not included in the 2016 Company's Rate Base.

Upon completion of the 25 kV substation in 2017 it is the intention of CPUC to apply for a rate rider during this (2016) Cost of Service application to recover partial costs until the next Cost of Service Application (in 2020).

Capital Budget for 2016 and 2017 are for the refurbishment of the 25 kV Distribution System and the start of the 25 kV substation as follows:

	<u>2016</u>	<u>2017</u>
25 kV Substation	750,000	750,000
System Conversion	35,000	50,000
Poles Towers and Fixtures	35,314	24,706
Transformers	<u>2,350</u>	<u>11,784</u>
Total	<u>822,664</u>	<u>836,490</u>

Chapleau PUC has not included any costs for smart grid, regional planning projects, or any O.Reg 339/09 planned recovery.

OM&A For Test Year

The following table shows 2016 Test Year OM&A and changes/comparisons from the 2012 Test Year (Last Approved).

a/c #	Description	2016	2012	Variance
	Distribution Expense - Operation			
5016	Distribution Station Equipment - Operation Labour	\$3,000	\$ 4,500	(\$1,500)
5017	Distribution Station Equipment - Operation Supplies and Expenses	\$1,200	\$ 1,200	-
5020	Overhead Distribution Lines and Feeders - Operation Labour	\$150,000	\$ 141,600	\$8,400
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Exp.	\$75,600	\$ 58,150	\$17,450
5065	Meter Expense	\$2,500	\$ 600	\$1,900
5095	Overhead Distribution Lines and Feeders - Rental Paid	\$1,920	\$ 1,740	\$180
5098	Undistributed Expense - On Call	\$7,800	\$7,800	-
	Total Distribution Expense	\$242,020	\$ 215,590	\$26,430
	Billing and Collecting			
5310	Meter Reading Expense	\$32,400	\$ 29,000	\$3,400
5315	Customer Billing	\$61,200	\$ 51,600	\$9,600
5335	Bad Debt Expense	\$3,600	\$ 3,600	-
	Total Billing and Collecting	\$97,200	\$ 84,200	\$13,000
	Community Relations			
5410	Community Relations - Sundry	\$ 600	\$ 600	-
	Administrative and General Expenses			
5605	Executive Salaries and Expenses	\$13,200	\$ 13,200	-
5610	Management Salaries and Expenses	\$84,000	\$ 60,840	\$23,160
5620	Office Supplies and Expenses	\$25,480	\$ 24,000	\$1,480
5630	Outside Services Employed	\$84,000	\$ 116,400	(\$32,400)
5635	Property Insurance	\$14,800	\$ 17,040	(\$2,240)
5645	Employee Pensions and Benefits	\$105,600	\$ 83,940	\$22,660
5655	Regulatory Expenses	\$14,100	\$ 14,520	(\$420)
5665	Miscellaneous General Expenses	\$36,300	\$ 32,160	\$4,140
6205	Donations (Charitable Contributions)	\$2,000	\$ 2,000	-
	Total - Administrative and General Expenses	\$379,080	\$ 364,100	\$14,980
	Total OM&A	\$718,300	\$664,490	\$53,810

Summary of drivers for 2016 Test Year from Last Approved 2012 Test Year, shows a difference of over \$50,000 made up of variances, discussed below, of over \$10,000 in various accounts as follows:

Distribution Expenses

- Total labour from O/H Distribution Lines and Feeders and Distribution Station, net increase of \$6,900 (or 4.7%), is mainly due to wage Increases over the last 4 years and is also dependent on the actual hours worked each year and charged by the Services Company. Actual salary & wage Increases for the last 4 years are:

2012	2.0%
2013	2.0%
2014	2.0%
2015	2.5%
2016	2.0% (Estimate)

Chapleau PUC employees are not unionized, therefore their annual salary and Wage increases are based on the collective agreement between the Town of Chapleau and their employees. There has been no agreement reached for 2016.

- O/H Distribution Lines and Feeders - Operations Supplies and Expenses increase of \$17,450 is due to:
 - a) Increase in vacation time of 3 weeks for 3 employees, increase in sick time by 9 days and wage increases to employees for a total of \$7,300 and increase in Operation supplies.
 - b) Cost of Operation Supplies are proportionally charged each year based on the hours worked, as purchases are made. The difference of \$10,150 in the cost of supplies Budgeted in 2012 appears to have been under budgeted by up to \$10,000. The following are the actual costs for supplies since 2010:

2010	\$16,976
2011	12,507
2012	5,447 (Budget was \$10,150)
2013	25,288
2014	10,578
2015	18,392 (9 month actual plus estimate)
2016	19,200 (Budget Estimate)
- Chapleau PUC used actual experience to budget for 2016 plus a minor increase for inflation and rounding for amounts.

Billing and Collecting

Customer Billing increased from 2012 by \$9,600 due to:

- Salary & wage increases as identified above by \$4,530. Hours charged are dependent on the actual hours worked each year and charged by the Services Company.
- The balance of \$5,070 is due to software changes required for new rates and charges and other miscellaneous software updates.

Administrative Salaries and Expenses

Due to the confidential nature of this response salaries and salary increases are not disclosed.

Management Salaries increase of \$23,160 is due to the retirement of the company's Secretary Treasurer, promotion of the Line Foreman to Manager and the hiring of a new Treasurer. Due to market conditions the new Treasurer position required an increase in remuneration. There will also be an overlap of employees during a training period of approximately 4 months (March to June 2016), therefore 1/3rd of the new Treasurer's salary, during training, divided by 4 years is included. These changes plus the inflationary increases of \$5,340 will effectively increase annual salaries from the 2012 (Last approved).

Hours charged are dependent on the actual hours worked each year and charged by the Services Company.

Purchased Services

In 2012 (Last Approved) was higher than 2016 by \$32,400 mainly because of the fee (\$26,000) paid to Sensus for the FLEXNET monitoring service of our smart meters is now being charged directly into meter reading account and the balance is for lower engineering support by Burman Energy.

Employee Pensions and Benefits

Increases in pensions and benefits from the 2012 last approved of \$22,660 are attributable to an average increase of approximately 4.0% per annum to total benefits from 2012 (\$13,300) and the balance is due to Pension increases of \$2,100 and Group Insurance of \$6,000 due to increases in pay as indicated above in "Administrative Salaries and Expenses". Upon retirement of an employee, CPUC pays for Life insurance and covers the retiree for group insurance coverage for one month for every year of service, which in this case it will be until the end of 2017. The cost for the group insurance has been prorated to 2020.

Use of OEB's Cost of Capital Parameters

Changes to the Cost of Capital Parameters shows a slight increase for Chapleau PUC for the Total Cost Rate from 6.20% to 6.28% with a return of \$87,452. However changes in the Allowance for Working Capital from 15.0% to 7.5%, decreased our Rate Base by approximately \$300,000 which represents a loss of Return of \$19,000.

Change in the accounting standard from CGAAP to MIFRS, changes to the usefull life of assets and therefore reducing asset amortization/depreciation will show increases in Net Fixed Assets in future years and increase Total Return to the Company.

Chapleau PUC has not deviated from the OEB's Capital Parameters in its application.

Cost Allocation and Rate Design

Chapleau PUC has not deviated from the OEB's Methodologies in its Cost Allocation nor the Rate Design process.

The Cost Allocation worksheet was completed showing the following results in the Revenue to Expenses Status Quo %:

Comparison to 2012 Cost Allocation

Customer Class	Cost Allocation		Target Revenue to Cost Ratios
	2016	2012	
Residential	93.23%	97.77%	85% to 115%
General Service <50 kW	111.54%	99.93%	80% to 120%
General Service >50 kW	100.07%	119.59%	80% to 120%
Unmetered Scattered Load	111.12%	127.93%	80% to 120%
Sentinel Lights	72.18%	61.46%	80% to 120%
Street Lights	370.55%	92.40%	80% to 120%

The impact proposed rates will have to the average customer is as follows:

Monthly Average Customer Impact by class:

Rate Class	Average Consumption	Increase (Decrease)	
		\$ Amount	Percent
Residential	1,120 kWh	(2.33)	(1.27)%
General Service <50 kW	2,655 kWh	14.24	3.41 %
General Service > 50 kW	110.0 kW 42,503 kWh	(249.52)	(4.17)%
Un-metered Scattered Load	76 kWh	1.12	3.10%
Sentinel Lights	0.22 kW 57 kWh	7.01	36.19%
Street Lights	0.184 kW 68 kWh	(4.73)	(29.05)%

Deferral and Variance Accounts

The following Table shows the Deferral and Variance account balances as at December 31, 2014 and reconciled to the 2014 year end balances for RRR filing 2.1.7 trial balance as filed with the OEB.

Account Description	A/C #	Principal Amounts at Dec. 31, 2014	Interest Amount to Dec. 31, 2014	Total as at December 31, 2014
LV Variance Account	1550	51,940	754	52,694
Smart Metering Entity Charge Variance Account	1551	- 351	- 5	- 356
RSVA - Wholesale Market Service Charge	1580	- 1,488	- 24	- 1,512
RSVA - Retail Transmission Network Charge	1584	- 5,047	- 75	- 5,122
RSVA - Retail Transmission Connection Charge	1586	- 1,796	- 27	- 1,823
RSVA - Power (excluding Global Adjustment)	1588	- 156,393	- 2,291	- 158,684
RSVA - Global Adjustment	1589	47,738	719	48,457
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	- 8,691	- 44	- 8,735
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	41,602	573	42,175
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	- 56,981	- 827	- 57,808
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		- 89,467	- 1,245	- 90,712
Other Regulatory Assets - Sub-Account - Deferred IFRS Trans. Costs	1508	11,487	98	11,585
Retail Cost Variance Account - Retail	1518	3,882	55	3,937
Group 2 Sub-Total		15,369	153	15,522
LRAM Variance Account	1568	22,219	320	22,539
Accounting Changes Under CGAAP Balance + Return Component	1576	- 120,120	-	- 120,120
Total Deferral and Variance Accounts to December 31, 2014		- 172,000	- 772	- 172,772
Total Disposition to Non RPP Customers				48,457
Total Disposition to RPP Customers				- 221,229

Total dispositions of \$48,457 to Non RPP customers and total dispositions of (\$221,229) to RPP customers will be over a one (1) year period except for account 1576 to be disposed of over a two (2) year period .

Chapleau PUC is not requesting new accounts.

Bill Impacts

There are no customers materially affected by this application other than the Sentinel Light customers (see pages 44-45 Mitigation Plan)

The following bill impacts were calculated before Taxes for the average customer class consumptions.

Bill Impacts - Monthly Average Customer Consumption:

Rate Class	Average Consumption	Increase (Decrease)	
		\$ Amount	Percent
Residential	1,120 kWh	0.26	0.14%
General Service <50 kW	2,655 kWh	14.24	3.41 %
General Service > 50 kW	110.0 kW 42,503 kWh	(249.52)	(4.17)%
Un-metered Scattered Load	76 kWh	1.12	3.10%
Sentinel Lights	0.22 kW 57 kWh	7.01	36.19%
Street Lights	0.184 kW 68 kWh	(4.73)	(27.60)%

The following bill comparisons by customer class for typical customers with various typical consumptions are as follows:

Residential Class

Consumption kWh	2015 Cost	2016 Cost	Increase (Decrease)	
			\$	%
100	41.84	44.01	2.17	5.18
250	62.63	64.51	1.89	3.01
500	97.26	98.68	1.42	1.46
800	138.82	139.68	0.86	0.62
1,000	166.53	167.01	0.29	0.29
1,500	235.80	235.35	(0.46)	(0.19)
2,000	305.07	303.68	(1.39)	(0.46)
Average 1,120	183.16	183.41	0.26	0.14
Total Class	2,326,882.52	2,330,140.49	3,257.97	0.14

General Service <50 kW

Consumption kWh	2015 Cost	2016 Cost	Increase (Decrease)	
			\$	%
1,000	183.04	184.54	1.50	0.82
2,000	324.93	334.13	9.20	2.83
5,000	750.60	782.89	32.29	4.30
10,000	1,460.05	1,530.84	70.79	4.85
15,000	2,169.50	2,278.78	109.28	5.04
Average 2,655	417.87	432.11	14.24	3.41
Total Class	751,266.88	786,681.02	35,420.44	3.78

General Service >50 kW

Consumption kW kWh		2015 Cost	2016 Cost	Increase (Decrease)	
				\$	%
60	30,000	4,117.38	3,969.61	(147.77)	(3.59)
60	50,000	6,309.34	6,191.13	(118.21)	(1.87)
100	50,000	6,702.60	6,488.21	(214.39)	(3.20)
100	90,000	11,086.52	10,931.25	(155.28)	(1.40)
150	75,000	9,934.13	9,636.46	(297.67)	(3.00)
150	125,000	15,414.03	15,190.26	(223.77)	(1.45)
400	200,000	26,091.75	25,377.71	(714.04)	(2.74)
Average 110 kW 42,502 kWh		5,979.15	5,729.63	(249.52)	(4.17)
Total Class		926,974.61	894,713.55	(33,206.56)	(3.58)

Unmetered Scattered Load

Consumption kWh	2015 Cost	2016 Cost	Increase (Decrease)	
			\$	%
50	32.53	33.04	0.50	1.55
100	39.29	40.97	1.69	4.29
Average 76	36.05	37.16	1.12	3.10
Total Class	1,684.47	1,736.62	52.15	3.10

Sentinel Lights

Consumption kW kWh	2015 Cost	2016 Cost	Increase (Decrease)	
			\$	%
0.50 50	22.34	32.18	9.84	44.06
1.00 100	35.23	50.24	15.00	42.59
Average 0.22 kW 57 kWh	19.38	26.39	7.01	36.19
Total Class	6,547.52	8,556.12	2,008.59	30.68

Street Lights

Consumption kWh	2015 Cost	2016 Cost	Increase (Decrease)	
			\$	%
Ave. 0.18 kW 68 kWh	17.15	12.42	(4.73)	(27.60)
Total Class	65,635.43	45,856.12	(18,779.31)	(29.05)

Mitigation Plan.

The **Street Light** class Cost Ratio is at 370.55% which is outside the OEBs policy range of 80% - 120% therefore Chapleau PUC will adjust Street Light rates to be at 100% range. This will not affect the revenue requirement of other customer classes.

The **Sentinel Light** class customers are being affected by more than 10.0% by the 2016 Cost of Service process. In the Cost Allocation model analysis, Sheet O1 "Revenue to Cost RR", it was identified that its cost ratio is at 72.18%. This ratio requires that it be at a minimum of 80.0% and therefore CPUC will adjust this ratio over 4 years as follows:

The cost ratio will increase to 73.10% on May 1, 2016, 76.07% on May 1, 2017 and to 79.35% on May 1, 2018 and to 80.00% on May 1, 2019.

CPUC will adjust all 23 customer's Fixed/Variable Rate over 4 years as follows:

Year/Rate	Fixed Rate	Variable Rate	Total Cost	Increase \$	Increase %	Loss of Revenue
2015	\$8.65	\$15.0437	\$19.38			
2016	\$8.65	\$21.3500	\$21.35	\$1.93	9.96%	\$1,412.32
2017	\$10.37	\$23.1778	\$23.43	\$2.12	9.95%	\$830.76
2018	\$12.71	\$23.1778	\$25.77	\$2.34	9.99%	\$171.12
2019	\$13.33	\$23.1778	\$26.39	\$0.46	1.79%	\$0.00

The above table is based on the average Sentinel Light customer consuming 0.22 kW and 57 kWh per month. Customers consuming less than the average will experience increases of over 10.0% however the \$ amounts will be approximately \$1.93 per month or less.

CPUC does not intend to adjust revenue requirement to other customer classes to recover the above loss of revenue.

Specific Approvals Requested

Chapleau Public Utilities Corporation (CPUC) is seeking in the **EB-2015-0060** Application for the following rate approvals effective May 1, 2016:

Distribution Rates for existing rate classes
Retail Transmission rates
Total Loss Factor
Low Voltage rates
Lost Revenue Adjustment Mechanism (LRAM) rates
Rate Rider for Advanced Capital Module (ACM) Capital Project
Disposition of Deferral Variance account balances as at December 31, 2014 for the following:

Group 1 Accounts

1550 Low Voltage variance
1551 Smart Metering Entity Charge
1580 RSVA - Wholesale Market Services Charge
1584 RSVA - Transmission Network
1586 RSVA - Transmission Connection
1588 RSVA - Power (excluding Global Adjustment)
1588 RSVA - Power - Global Adjustment
1595 Disposition and Recovery/Refund of Regulatory Balances (2012)
1595 Disposition and Recovery/Refund of Regulatory Balances (2013)
1595 Disposition and Recovery/Refund of Regulatory Balances (2014)

Group 2 Accounts

1508 Other Regulatory Assets - Deferred IFRS Transition Costs
1518 Retail Cost Variance Account - Retail

Other Accounts

1568 LRAM Variance Account
1576 Accounting Changes Under CGAAP Balance + Return Component.

Conditions of Service

A Copy of CPUC's revised Condition of Service Agreement is publicly available on the Town of Chapleaus' website www.chapleau.ca and is also available at the utility's offices in hard copy format. CPUC confirms that the Conditions of Service on the website and hard copy are current including the new rates and charges for 2015.

CPUC does not expect any changes to the Conditions of Service as a result of approval of the application other than the new rates and charges for 2016.

Certification

I, Alan Morin, Manager of Chapleau Public Utilities Corporation, certify that the evidence filed is accurate, consistent, and complete to the best of my knowledge.

Original Signed by:

Alan Morin - Manager

Filing Requirements

Chapleau PUC has not deviated from the Filing Requirements, has no concerns with models and has not made any changes to models.

Changes to Methodologies

Chapleau PUC has not made any changes to methodologies used in this application vs previous applications.

OEB Directives

Chapleau PUC has not had any OEB Directives from previous Decisions.

Transmission or High Voltage Assets

CPUC does not have any transmission or high voltage assets deemed by the OEB as distribution assets, nor does it have such assets that the company is seeking approval for in this application.

Customer Engagement

Chapleau PUC has not made significant capital investments to its distribution plant in recent years, resulting in a distribution system that is operational but aging. More recently CPUC experienced relatively high line loss ratios that escalated to a current 5 year average of 1.0898.

In 2014 Chapleau PUC engaged Burman Energy to develop their Distribution System Plan and to recommend ways to reduce CPUCs energy losses, improve service reliability and safety.

CPUC and the Township Council, were presented by Burman Energy with an investment strategy that will reduce energy losses, improve service reliability and safety. The investment strategy will however entail a significant capital investment in CPUC's distribution plant over an eleven year period. Phase one of the investment strategy is to build a new 25 kV substation and Phase two will convert and upgrade its distribution system assets (i.e. poles meters and distribution assets) to the new 25 kV standard at a total project cost of \$3,055,000.

Chapleau PUC wanted to inform their customers and retained Burman Energy Consultants Group Inc. and CGC Educational Communications Inc. to develop and execute tailored consumer research, concentrating in the following areas:

- Chapleau PUC 's customers' experience in terms of the impacts of service interruptions, and
- Chapleau PUC 's customers' attitudes about the value of electricity to consumers as it relates to future investments, and
- Identifying customer preferences with respect to service offerings and plans for distributing system upgrades.

The focus of this report is to identify business areas that have the strongest influence on a customer's perception of value. Various tools and techniques are available to help identify what matters most to customers, and what makes a company stand out in the customer's view. The method chosen for this customer research effort was to conduct targeted customer phone interviews. The goal of these interviews was to deliver the most effective customer feedback, combined with providing basic customer education, about business trends, plans and renewables.

The survey was conducted through telephone interviews, based on a customer list provided by CPUC. Twenty percent (20%) of the respondents were French speaking. The telephone survey provided opportunities for customers to relay anecdotes and comments providing input and insights beyond the actual survey questions themselves. The interviews were delivered by bilingual customer engagement experts, well versed in their approach to use every opportunity to educate, as well as, encourage customer participation.

Chapleau PUC targeted questions to canvass customer satisfaction in the following key areas:

- power quality and reliability
- price and bill impact
- communications
- and the customer service experience

This Customer Survey also considered, and included, an educational introduction to be shared with the customer. This introduction provided feasible information about Chapleau PUC's operations and their need for customer considerations and feedback.

Customer Feedback

Customer Satisfaction

The majority of customers interviewed have been long-term customers and know the utility very well. Of those, 96% of the customers interviewed had been using Chapleau PUC's services for more than 10 years. The customer relationships in this small community are extremely close and personable. Scheduled appointments were 100% on time. There is a high degree of satisfaction with Chapleau PUC. Customers are content, engaged and willing to share their positive experience with the utility often mentioning that Chapleau PUC is very "accommodating", "very nice to deal with" and "good on customer service". There is a high degree of trust in Chapleau PUC. Again, 96% of the telephone calls were answered on time and in some instances the customers would simply "walk over and speak to Chapleau PUC employees directly". Generally customers feel that Chapleau PUC does a great job with what they have, considering the fact that the utility is embedded within Hydro One territory and some service interruptions relate to Hydro One issues. In terms of overall satisfaction, 45% of the customers ranked their service at 10 on the scale 1 to 10.

Billing and Price Sensitivity

Notable customer concerns relate to billing and cost of power, which customers feel is unfairly high. Customers prefer to see, itemized on their bill, the percentage or the amount that is allocated to the province. Many of them, at the time of the interview, were unaware of the financial share directed to the province.

Price sensitivity can be easily distinguished through the customer feedback. Customers are concerned that “the bills doubled during the change from bi-monthly to monthly billing” although things have evened for most of those interviewed. There was definite trend of discomfort that the utility share in the financial allocations is so small and accounting to the interviewed perceived as unfairly unequal, comparing to the share of the province. Despite the expectation that the cost of living in a remote place is high, seniors on fixed incomes have difficulty covering the bills and feel pressed to rent instead of owning a home so they could afford to stay in the community. Most of the interviewed were on a fixed income and face numerous challenges typical for a Northern Remote Community.

Safety

Customers feel that Chapleau PUC sees safety as a number one priority and have noticed that Chapleau PUC employees are using proper safety protocols and safety gear on the job. Of those interviewed, 86% ranked the importance of safety demonstrated by the utility operations staff as 10 in the scale of 1 to 10.. Customers perceived utility employees as highly effective, skilled and commented about the excellent job they do. Many expressed that in small community like Chapleau “if they didn’t feel that safety was a concern for Chapleau PUC, people would talk about it. “

Reliability

Continuous, reliable power was, not surprisingly, the most important item for respondents. Customer perception in regard to power outages is that outages are predominantly very short term and do not affect their daily living. Of those interviewed, 58% have noticed fewer changes in the system reliability. Longer interruptions were experienced years ago. Customers are resilient in the challenges of the Northern Climate and have expressed strong knowledge in emergency preparedness measures like backup generators or wood stoves. People feel strongly that Chapleau PUC does their very best in any circumstances facing the challenges of a deteriorating distribution network and severe weather. Some customers felt that the distribution system of Hydro One is less reliable than the one managed by Chapleau PUC.

Customers see CPUC as a community partner, and trust them completely (100%), as opposed to their lack of trust in Hydro One. This lack of trust and sense of powerlessness, in the face of huge Hydro One bureaucracy and the remoteness of their service support, was a common theme.

People feel that reliable power, particularly in the north, is essential to daily life. In fact, 96% of the respondents ranked, as extremely high, the importance of taking action to improve the delivery of continuous reliable power.

Energy Conservation, Smart Meters and Green Button Initiative

Energy conservation was very strongly supported by 57% of the respondents, with some customers requesting special conservation education. The major interest is focused on renewables and overall measures for energy conservation; however, there is a substantial minority who feel that Chapleau PUC should predominantly concentrate efforts on distributing power.

Some people (mainly seniors) felt that parents should be teaching their children how to conserve energy, but many others believe in investing in children's energy education. Some also feel that they could use help and support in finding new ways to save energy, and, therefore, offset costs.

Some people have the perception that the Smart Meters are taking care of energy conservation education, as they indirectly force them to conserve energy by shifting the use at a different time slots of the day in order to benefits from the preferential rates . Most respondents feel that they have shifted their load to the best of their ability and there is no room for improvement. The ones who haven't changed their energy consumption schedules have difficulty in doing so due to their personal circumstances, related to shift work or health concerns. A full 100% of those interviewed are aware of the smart meter and what the smart meter does.

There was little uptake for the Green Button Initiative that is currently being promoted by the Ministry of Energy. Customers are concerned that they don't have time, don't go on their computer enough, or, if they do go on their computer, they don't have time to browse the website for information.

Customers don't see how the green button would help them, and the general perception is that they are already doing the most they can by shifting their load, thus, only a few customers will be taking advantage, if any applications are to be developed. This is consistent with the aging population in the area, reluctant to energy conservation analytics tools.

Community Energy Plan and Renewables

Customers support renewables, and 44% plan to invest in renewable energy within the next 5 years. Many people felt that renewable energy is not only the way of the future, but also is a way to offset the cost of hydro power in their homes. Respondents expressed that they felt that Americans across the border were getting power at reduced cost or “cheaper” rates from Canadian resources, than people in Chapleau. Customers believe that local renewable energy would address this cost imbalance. There is a definite perception that the energy cost savings would offset the cost of installation. As the installation price and renewable equipment costs come down, particularly for solar panels, many people would consider, and are currently considering, installing these on their homes and businesses. The results of the survey suggest the need for a program to support renewable installations (such as a lease or financing program). This would generate a lot of community interest and uptake.

Communication

A key recommendation from the majority of respondents was for Chapleau PUC to improve its communication on all levels. Communication is generally seen as less effective than it could be. People would like more information about things like electrical safety and energy conservation. Many customers do not understand the electricity sector, and, thus, do not understand the issues when they are presented to them in print. Almost all respondents expressed appreciation for the educational component of the survey, and felt that the opportunity to interactively conversing during the survey with the accompanied explanations, definitions and clarifications, had helped them better understand how “things work”.

People mentioned that there is a fairly low literacy rate in Chapleau, which has been taken into account in communicating with customers and in the customer engagement process in the past. Some suggested simplifying the messages and providing them in different media, such as television, radio and even on the website, by using more visual cues and suggested more simplified promotional flyers when they are distributed in the mail with the bill.

Customers expressed that they do not read the information provided in the bill as it is too dense and not easy to understand. This is seen as a missed opportunity. Respondents mentioned utility staff by name, expressing satisfaction by noting utility employees as “very accommodating” in explaining the challenges of power distribution in the north to the customers who approach her with questions.

Asset Management Plan (Distribution System Plan)

During the customer survey, customers were provided 3 investment scenarios in the future of the distribution system versus a no investment. Investments in a new modern

system, was supported by 87% of the respondents, even if this will cause a slight increase of the electricity rates. Some customers saw borrowing at the current low interest rates as appealing, as this would not impact rates. Keeping costs down was their primary concern, but maintaining the town's infrastructure reluctantly trumped cost concerns. The option of not making any investments was not supported.

Other Communication

No further communication was sent to customers about the application.

Outcome of Customer Engagement Activity

CPUC has completed Appendix 2-AC - The outcome of this Customer Engagement activity was very well received by the Board of Directors and Management of CPUC and have decided to pursue the investment strategy to build a new 25 kV substation and convert and upgrade its distribution system assets (i.e. poles meters and distribution assets) to the new 25 kV.

Financial Information

The non-consolidated Audited Financial Statements for the years 2013 and 2014 are included as Attachment H.

Reconciliation between Audited Financial Statements and Regulatory Accounting

Chapleaus' Audited Financial Statements agree to the annual RRR Trial Balances filed for 2012, 2013 and 2014 and this Application and therefore reconciliations are not required.

Tax Status

Chapleau PUC has not had a change in tax status.

Accounting Orders

There are no Existing Accounting Orders and departures from USoA.

Accounting Standards

Chapleau PUC adopted IFRS accounting standards as of January 1, 2015. All prior years were prepared by management with GAAP.

Non Utility Business

Chapleau PUC confirms that accounting treatment of any non utility business has segregated activities from rate regulated activities.

Accounting Standards and Modified IFRS Applications

Accounting Standards Used in the Application

In accordance with the Filing Requirements, Chapleau PUC has provided information for the historic years using the CGAAP method of presentation. For the 2015 Bridge and 2016 Test Years are presented on IFRS basis.

Appendix 2-Y Summary of Impacts to Revenue Requirement from Transition to MIFRS

Revenue Requirement Component	2016 MIFRS	2016 CGAAP without policy changes	Difference	Reasons why the revenue requirement component is different under
Closing NBV 2015	\$ 1,097,958	\$ 984,936	\$ 113,022	Depreciation Expense decrease under MIFRS Decrease in Capital under IFRS
Closing NBV 2016	\$ 1,085,835	\$ 958,959	\$ 126,876	Depreciation Expense decrease under MIFRS Decrease in Capital under IFRS
Average NBV	\$ 1,091,897	\$ 971,948	\$ 119,949	
Working Capital	\$ 299,677	\$ 299,677	\$ -	
Rate Base	\$ 1,391,574	\$ 1,271,625	\$ 119,949	
	0			
Return on Rate Base	\$ 87,452	\$ 79,919	\$ 7,538	Impact of the above changes to capitalization and depreciation.
			\$ -	
OM&A	\$ 728,300	\$ 728,300	\$ -	
Depreciation	\$ 49,787	\$ 63,640	-\$ 13,853	Decrease in depreciation expense under MIFRS
PILs or Income Taxes	\$ -	\$ -	\$ -	
			\$ -	
Less: Revenue Offsets	-\$ 43,505	-\$ 43,505	\$ -	
			\$ -	
			\$ -	
			\$ -	
Insert description of additional item(s) and new rows if needed.			\$ -	
Total Base Revenue Requirement	\$ 822,034	\$ 828,349	-\$ 6,315	

Summary of Material Changes

Adoption of IFRS reduced depreciation by \$13,853 thereby increasing average Net Book Value and Chapleau's Rate Base by \$119,949 and increased Return on Rate Base by \$7,538. These changes reduced Chapleau's Revenue Requirement by \$6,315.

Materiality Thresholds

Chapter 2 of the Filing Requirements issued by the Board July 16, 2015 sets out the materiality thresholds to be used by utilities as follows:

"\$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million"

Chapleau PUC's revenue requirement for 2016 is \$891,122, therefore its' materiality level is \$50,000 however due to the size of the utility, Chapleau PUC's materiality threshold will be set at \$10,000.

Scorecard Performance Evaluation

Performance Outcomes - Attachment J

On October 18, 2012, the Board released its “*Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*” (the “RRFE Report”). The RRFE framework is a comprehensive performance-based approach to regulation that is based on the achievement of outcomes that ensure that Ontario’s electricity system provides value for money for customers. The Board believes that emphasizing outcomes rather than activities, will better respond to customer preferences, enhance distributor productivity and promote innovation.

Scorecard MD&A - General Overview

- During the last 5 years, Chapleau PUC has met and exceeded all performance targets with the exception of the measure for safety. This measure reflects compliance with Ontario Regulation 22/04 which was captured during the field audit and determined by ESA as an area that needs improvement. The opportunity for improvement was related to communications’ line minimum clearance to distribution systems’ neutral line which deviated from the specifications. Chapleau PUC did proceed to immediate correction and lowered the communications’ line to minimum clearance from the distribution systems’ neutral as per the specifications. This resolved the areas of concern. Like most utilities in Ontario, Chapleau PUC must replace aging infrastructure and is considering options for addressing line losses through distribution system upgrades and potential voltage conversion. In addition, asset replacement programs or capital projects will increase system reliability and reduce the vulnerability of the distribution system to bad weather events.

Customer Focus

Services are provided in a manner that responds to identified customer preferences.

Service Quality Scorecard

- **New Residential/Small Business Services Connected on Time**
Chapleau PUC has and continues to connect eligible low-voltage residential & small business customers to our system within the five-day timeline prescribed by the Ontario Energy Board. Chapleau PUC continues to achieve 100% which is above the OEB mandated threshold of 90%. We will continue to work closely with our customer’s to continue achieving this target.

- Scheduled Appointments Met On Time**
 Chapleau PUC schedules appointments with its customers to complete work requested by our customers such as reconnects, locates or planning. In the last 5 years Chapleau PUC has consistently met 100% of these appointments on time, which significantly exceed the industry target of 90%.
- Telephone Calls Answered On Time**
 Chapleau PUC records an average of 1150 qualifying incoming customer calls annually (average of 5 calls a day). Chapleau PUC has determined that the small volume of customer phone calls does not warrant the cost expenditure of maintaining a customer contact center. In 2015 Chapleau PUC did implement a call answer voice mail system. Customers are provided with the option to request a call return. Chapleau PUC returns all customer calls as soon as possible. Chapleau PUC over the last 5 years achieved 100% of eligible telephone calls answered on time and will continue to work at achieving this target which exceeds the OEB mandated 65% target for timely call response.

Customer Satisfaction Scorecard

- First Contact Resolution**
 Chapleau PUC began logging customer complaints in July of 2014. Our “small town” environment affords Chapleau PUC staff the ability to readily communicate informally with our customers. The First Contact Resolution measure reflects the percentage of complaints resolved, not requiring follow up. Chapleau PUC receives only a very small number of inquiries, for which resolution is 100%.
- Billing Accuracy**
 For the period from October 1, 2014 to December 31, 2014 Chapleau PUC issued almost 4000 bills and achieved a billing accuracy of 100%. This compares favourably to the prescribed OEB target of 98%. Chapleau PUC continues to monitor its billing accuracy results and processes.
- Customer Satisfaction Survey Results**
 Chapleau PUC retained Burman Energy Consultants Group Inc. and CGC Educational Communications Inc. to develop and execute a customer survey. This survey was conducted through telephone interviews which was offered in both official languages, 20% of the respondents were French-speaking. The survey concentrated on Chapleau PUC’s customers’ experience in terms of the impacts of service interruptions, customers’ attitudes and about the value of electricity to consumers as it relates to future investments and identifying customer preferences with

respect to service offerings and plans for distributing system upgrades. Customer feedback produced a Customer Satisfaction (CSAT) Score of 95%, which includes responses on rating the “overall customer satisfaction”. The CSAT Score is calculated as a combined rating of 7 and above, on a scale from 1 to 10. The sample size of 100 surveys was selected based on the total number of customers and targeted to achieve confidence level of 90% with confidence interval of 5%. There were no other surveys conducted in the last 5 years

Operational Effectiveness

Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives.

Safety Scorecard

- **Public Safety**
- **Component A – Public Awareness of Electrical Safety**
Chapleau PUC is fully engaged in public safety awareness campaign delivered through our web site and bill inserts.
- **Component B – Compliance with Ontario Regulation 22/04**
Chapleau PUC is audited annually as part of Regulation 22/04. ESA captured one needs improvement during the field audit. The opportunity for improvement was related to communications’ line minimum clearance to distribution systems’ neutral line which deviated from the specifications. Chapleau PUC did proceed to immediate correction and lowered the communications’ line to minimum clearance from the distribution systems’ neutral as per the specifications. This resolved the areas of concern. All previous years Chapleau PUC received a C which indicates compliance with the Regulation.
- **Component C – Serious Electrical Incident Index**
Chapleau PUC has no reported electrical incidents and intends to sustain its performance in this area.

System Reliability Scorecard

- **Average Number of Hours that Power to a Customer is Interrupted**

Chapleau PUC continues to view reliability of electricity service as a high priority for its customers and is working in improving its asset management practices, maintenance and asset replacement programs.

During the last 5 years Chapleau PUC has been within 0.28 and 2.18 average number of hours that power to a customer is interrupted with an overall 5 average of 1.36. This compares well with the OEB expected target of 0.44 and 2.18.

- **Average Number of Times that Power to a Customer is Interrupted**

Chapleau PUC's average number of times that power to a customer is interrupted (i.e. frequency) is between 0.28 and 2.58 in the last 5 years, with an overall 5 year average of 0.92. Chapleau's frequency is within the OEB's target of 0.28 and 2.58. Chapleau PUC will continue to monitor its assets with annual infra-red scans for early detection of potential problems, station inspections and distribution system patrols.

Asset Management Scorecard

- **Distribution System Plan Implementation Progress**

Chapleau PUC began work preparing our Distribution Plan (DSP) in 2014 to comply with Chapter 5 filing requirements as part of our rate submission. Significant efforts were made in 2014 to collect and organize asset baseline data required in support of asset management and DSP preparation. However, weather related delays in acquiring field data, impacted the DSP schedule. A final version of the DSP will be filed with this application.

Cost Control Scorecard

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual & predicted costs. In 2014, Chapleau PUC was placed in Group 4 (same as

2012 and 2013). Distributors that had cost in excess of 10% to 25% of that predicted received a stretch factor of 0.45%. The 2014 Benchmarking Update Report to the Ontario Energy Board showed 13 Ontario distributors ranked in Group 4.

Chapleau PUC will continue working to improve our ranking to a more efficient group.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Chapleau PUC's capital and operating costs and dividing this cost figure by the total number of customers that we serve. Over the last 5 years Chapleau's customer numbers have been eroded by 122 or 7.1% (1,719 at the end of 2009 to 1,597 in 2014) while full time employees remained at 5. Cost per customer in 2014 was higher than normal due to Outside Services Employed to prepare Chapleau's Strategic and DSP Plan. Costs per customer are expected to go down in 2016 (from the \$729 in 2014).

Unless the economy improves in Northern Ontario, in the near future, this trend will continue.

- **Total Cost per Km of Line**

Total cost per Km of Line uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that Chapleau PUC operates to serve its customers. Chapleau PUC's 2014 total cost per Km of line was \$33,329. This higher than normal increase is due to the same reason as above, otherwise annual increases should be based on inflation and capital expenditures only.

Chapleau PUC will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Public Policy Responsiveness

Utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).

Conservation and Demand Management Scorecard

- **Net Annual Peak Demand Savings (Percent of target achieved)**
Chapleau PUC exceeded its Net Annual Peak Demand Savings target at by the end of 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority (“OPA”) province-wide demand management programs. Chapleau PUC achieved 123.34 percent of its target by the end of 2014.
- **Net Cumulative Energy Savings (Percent of target achieved)**
Chapleau PUC is pleased to have exceeded its four-year net cumulative energy savings target by the end of 2014. The successful achievement of 179.27 percent of cumulative energy savings was made possible by the strong and early participation by local customers in retrofit and energy efficient lighting programs.

Connection of Renewable Generation Scorecard

- **Renewable Generation Connection Impact Assessments Completed on Time**
Ontario runs two renewable generation programs. FIT (Feed-in Tariff) applicants are those customers setting up solar or renewable generation equipment to generate more than 10 kW of electricity at a time. Chapleau PUC has no renewable generation connection impact assessments to date.
- **New Micro-embedded Generation Facilities Connected On Time**
MicroFit applicants are those customers applying to generate electricity at a level less than or equal to 10 kW of electricity. Chapleau PUC has not connected any renewable generation.

Financial Performance

Financial Viability is maintained; and savings from operational effectiveness are sustainable.

Financial Ratios Scorecard

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

Chapleau PUC has maintained a healthy financial condition of between 1.69 and 2.60 over the last 5 years and averaging 2.09.

Among utilities in Ontario the range of values for current ratio was between 1.69 and 2.60.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. Chapleau PUC maintains a strong financial position and has no debt at present nor in the past 5 years.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Chapleau PUC's profitability has remained steady during the last 3 years at 9.12% with an average of 8.98 over the last 4 years.

- **Profitability: Regulatory Return on Equity – Achieved**

Chapleau PUC prepared its 2012 Cost of Service Application and was approved for an average increase in rates of approximately \$178,000 or 28%. New rates were approved in January of 2013, effective May 1, 2012. Due to this deficiency the Return on Equity for 2012 was a negative (17.50%). The return on equity for 2013 and 2014 is 19.84% and 16.88% respectively. These high ROE's include revenues from the smart meter disposition rate rider and the foregone revenue due to the late rate approval of the 2012 Cost of Service Application.