



Ontario Energy Board
Commission de l'énergie de l'Ontario

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2016-0105

**THUNDER BAY HYDRO ELECTRICITY
DISTRIBUTION INC.**

Application for 2017 Rates

January 6, 2017

TABLE OF CONTENTS

1 INTRODUCTION..... 2

2 THE PROCESS 3

3 SUMMARY OF THE MEETING 4

SCHEDULE A..... 7

SCHEDULE B..... 14

SCHEDULE C..... 23

1 INTRODUCTION

Thunder Bay Hydro Electricity Distribution Inc. (Thunder Bay Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on September 9, 2016 seeking approval for changes to the rates that Thunder Bay Hydro charges for electricity distribution, to be effective May 1, 2017. For a typical residential customer beginning May 1, 2017, the proposed increase was \$4.71 per month.

A Notice of Hearing was issued on November 9, 2016.

Further to the Notice of Hearing, the OEB hosted one community meeting on November 23, 2016 in Thunder Bay, Ontario regarding Thunder Bay Hydro's 2017 application.

This is an OEB staff report summarizing the outcomes of this community meeting. This report will be placed on the public record of the OEB hearing of this application along with copies of any written presentations made at the meeting. This report includes a summary of comments, questions and concerns raised during the community meeting by customers who attended the meeting. This summary is intended to capture the range of perspectives that were shared, rather than to provide a verbatim transcript of the meeting.

Customers are also able to submit individual written letters of comment with the OEB, either during a community meeting or any other time during the course of the OEB's review of an application. The OEB places written letters of comment on the public record of the specific proceeding. All comments must be submitted to the OEB before the decision-makers in that case begin to consider their decision on the application. In making its decision, the OEB considers everything on the public record, including all comments when determining whether to grant the requests made by Thunder Bay Hydro in this application.

2 THE PROCESS

The OEB convenes community meetings in the service territories of local distribution companies that have applied to the OEB to change their rates through a cost of service proceeding.

Community meetings are part of the OEB's process of reviewing a rate application. The OEB has established a [Consumer Engagement Framework](#) to ensure that the perspectives of customers served by rate-regulated entities are considered in the OEB's decision-making process.

Community meetings are hosted by OEB staff who inform customers about the role of the OEB in rate-setting and the processes involved. OEB representatives explain the various ways that customers can become involved in the adjudicative process. A copy of OEB staff's presentation is attached to this report as Schedule A.

To assist customers in better understanding the application, the utility makes a presentation explaining its proposals for capital, operations and other spending that result in the requested rate change. A copy of Thunder Bay Hydro's presentation is attached to this report as Schedule B.

Customers and municipal officials are also invited to make presentations outlining their thoughts on the utility's proposals.

Following the presentations, customers have the opportunity to ask questions of the OEB and the utility about the application and the regulatory process. The issues raised by customers in the community meetings are documented and used by OEB staff in reviewing the application, asking interrogatories and making submissions to the OEB panel hearing and deciding the application. Any verbal comments provided to OEB staff at the community meeting are summarized in this report with no attribution.

In addition to providing verbal comments to OEB staff, customers attending the meetings may express their concerns directly to the OEB by providing individual comments (with attribution) through an online form on the computers provided or by filling in a hard copy comment form, which is then submitted to the OEB by OEB staff.

3 SUMMARY OF THE MEETING

The Thunder Bay meeting was held at the Oliver Road Community Center in Thunder Bay, Ontario on November 23, 2016 from 6:00 p.m. to 9:00 p.m. Approximately 7 customers attended the meeting to hear presentations from OEB staff and Thunder Bay Hydro. Prior to the presentations, OEB staff and Thunder Bay Hydro staff were available to informally talk to attendees and answer questions. OEB and Thunder Bay Hydro representatives responded to questions from attendees during and following the presentations.

The following OEB staff and Thunder Bay Hydro representatives attended the meeting:

OEB Staff

Jennifer Lea, Counsel, Special Projects
Ljuba Djurdjevic, Legal Counsel
Martin Davies, Project Advisor – Rates, Major Applications
Sylvia Kovesfalvi, Manager - Stakeholder Relations
Andrew Bodrug, Senior Stakeholder Relations Advisor

Thunder Bay Hydro

Robert Mace, President and CEO
Cindy Speziale, Vice President, Finance
Tim Wilson, Vice President, Customer & Information Services
Don Zimak, Vice President, Operations
Andrew Covello, Vice President, Human Resources
Duane Szyszka, Operations
Andy Armitage, Customer Services Manager
Brittany Ashby, Regulatory
Terri-Ann Sylvester, Finance
Amanda Leonzio, Customer Services Supervisor
Eileen Dias, Communications and Events Coordinator

The OEB and Thunder Bay Hydro presented at the meeting (attached as schedules A and B). There were two customer presentations at the meeting.

Mr. Peter Kresin noted that he had taken initiatives to reduce his electricity consumption by 23% from 1997 to the present day, but that since Thunder Bay Hydro had introduced

time-of-use pricing in 2012 he had experienced significant increases in both the cost of energy and the delivery rate. Mr. Kresin submitted that a difference in the definition of reasonable existed between the OEB and consumers. He said that according to the OEB it sets prices to serve the public interest, but yet Ontarians pay more for their electricity than other provinces in this country. He argued that if the OEB did its job well, the increases in delivery charges should be offset by a reduction in electricity rates. He concluded that he would not support Thunder Bay Hydro's proposed increases in delivery charges without an offsetting reduction in commodity prices. Mr. Kresin's presentation is attached as Schedule C.

Mr. Henry Wojak noted that Thunder Bay Hydro's application showed it as having the fourth lowest costs in Ontario and asked what would be its positioning if an equivalent level of profits to those earned by other utilities were factored in. Thunder Bay Hydro responded that if it took the full return on equity it would still rank in the lowest 25 percentile. He stated his lack of understanding as to why the OEB had allowed monthly billing and submitted that the OEB should monitor whether the penalties and interest on overdue accounts had become more or less favourable. Based on the results of this assessment, he asked whether it was possible for the OEB to rescind this ruling.

There were a number of questions asked and opinions expressed on areas which were outside those covered by the application and/or outside of OEB jurisdiction. These included whether a decision had been made on the status of the Thunder Bay Generating station, the nature of the direction received by the OEB from the Ontario government, why the OEB didn't negotiate a power supply contract with Manitoba Hydro and why the OEB decided not to show the carbon tax on customer bills.

Specific Concerns Raised

- Concerns that the OEB is raising costs by requiring monthly billing and whether or not this policy could be rescinded.
- Explanation as to whether or not TOU (time-of-use) pricing is different in Thunder Bay from the rest of Ontario
- Explanation as to what Thunder Bay Hydro's overall cost ranking would be if the profits that other utilities include were factored in
- Explanation as to what Thunder Bay Hydro is doing to increase internal efficiencies and control costs and to what extent maintenance is contracted out
- Explanation as to when was Thunder Bay Hydro's last rate increase and how it was different from the current one

- Explanation as to how many members the OEB has, what the qualifications of members are and who appoints them
- Information requested as to when and where the hearing would be held

SCHEDULE A

ONTARIO ENERGY BOARD PRESENTATION

THUNDER BAY HYDRO INC.

EB-2016-0105

NOVEMBER 23, 2016



Ontario Energy Board Commission de l'énergie de l'Ontario

About the Ontario Energy Board

OEB Community Meeting –
Thunder Bay, Ontario

November 23, 2016

Who We Are

- The Ontario Energy Board is an independent public agency.
 - Regulating gas since 1960 and electricity since 1999
- Our goal is to promote a sustainable and efficient energy sector that provides energy consumers with reliable energy services at a reasonable cost.



Ontario Energy Board
Commission de l'énergie de l'Ontario

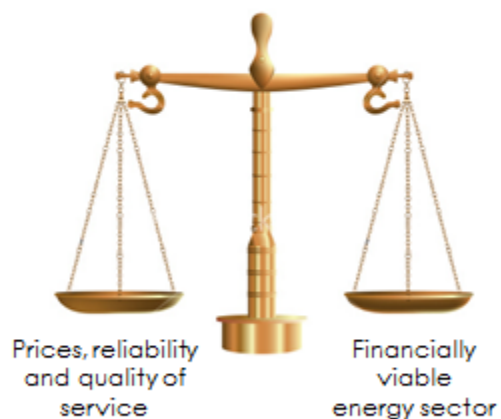
2

The OEB Sets Rates

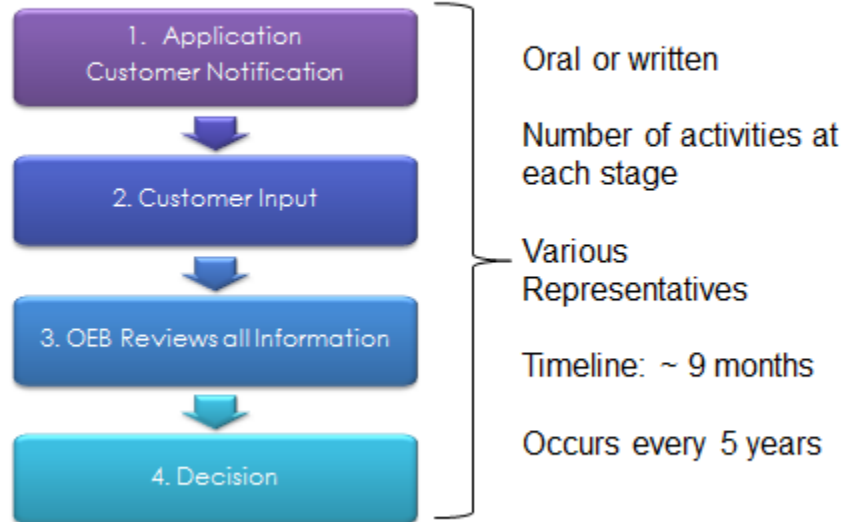
- The OEB reviews the “rates” that a local utility can charge customers
- A rate is an amount that recovers:
 - a utility's costs of providing distribution service (e.g. operations, maintenance, administrative expense, capital projects)
 - a return on equity

Delivering Value – Ensuring Reliability

The OEB's job is to align various objectives to ensure reliability



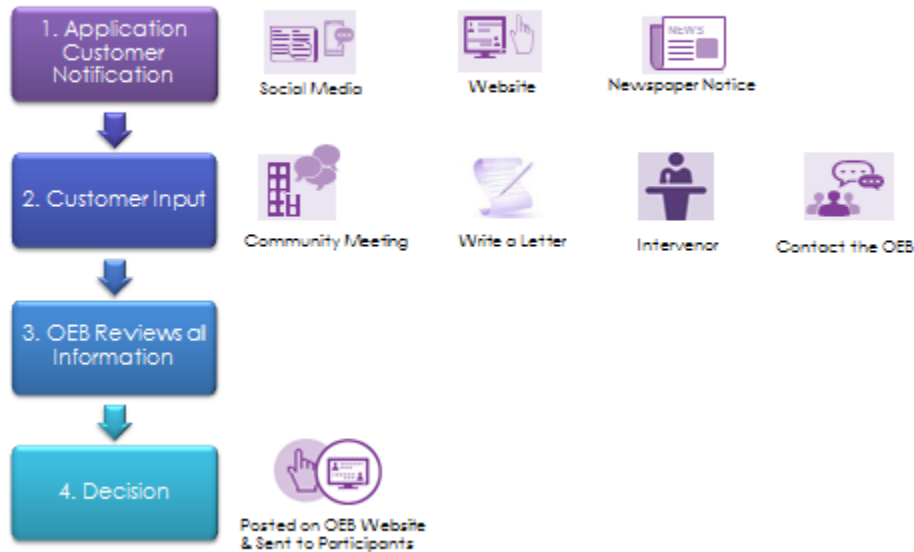
OEB Rate-Setting Process: Hearing Steps



Ontario Energy Board
Commission de l'énergie de l'Ontario

5

Be Heard in the OEB's Process



Ontario Energy Board
Commission de l'énergie de l'Ontario

6

OEB Hearings

- Open to all
 - Evidence is public
 - All written hearing materials posted on OEB website
 - All oral hearings open to the public and broadcast through OEB's website



Ontario Energy Board
Commission de l'énergie de l'Ontario

7

What Can You Do?

- OEB wants to hear from you. We encourage you to:
 - Ask questions
 - Provide comments (in hard copy or on laptops)
 - Attend or listen in on the hearings
 - Follow the proceedings
- Your voice helps the OEB do our job:

***Ensuring utilities deliver value by focusing on
what matters most to you***



Ontario Energy Board
Commission de l'énergie de l'Ontario

8

What Happens Next?

- The OEB Panel decides on written or oral hearing
- Then they consider the information
 - Utility's application
 - Your comments
 - Intervenor submissions

Contact OEB to Learn More



416-314-2455
Toll Free 1-877-632-2727

 www.ontarioenergyboard.ca

 Twitter: @OntEnergyBoard

 Address: Ontario Energy Board, 2300
Yonge Street, Suite 2701, Toronto,
Ontario M4P 1E4

 Ontario Energy Board
Commission de l'énergie de l'Ontario

Your Voice Matters – Thank You



Ontario Energy Board
Commission de l'énergie de l'Ontario

11

SCHEDULE B
THUNDER BAY HYDRO PRESENTATION
THUNDER BAY HYDRO INC.
EB-2016-0105
NOVEMBER 23, 2016

Thunder Bay Hydro Electricity Distribution Inc.

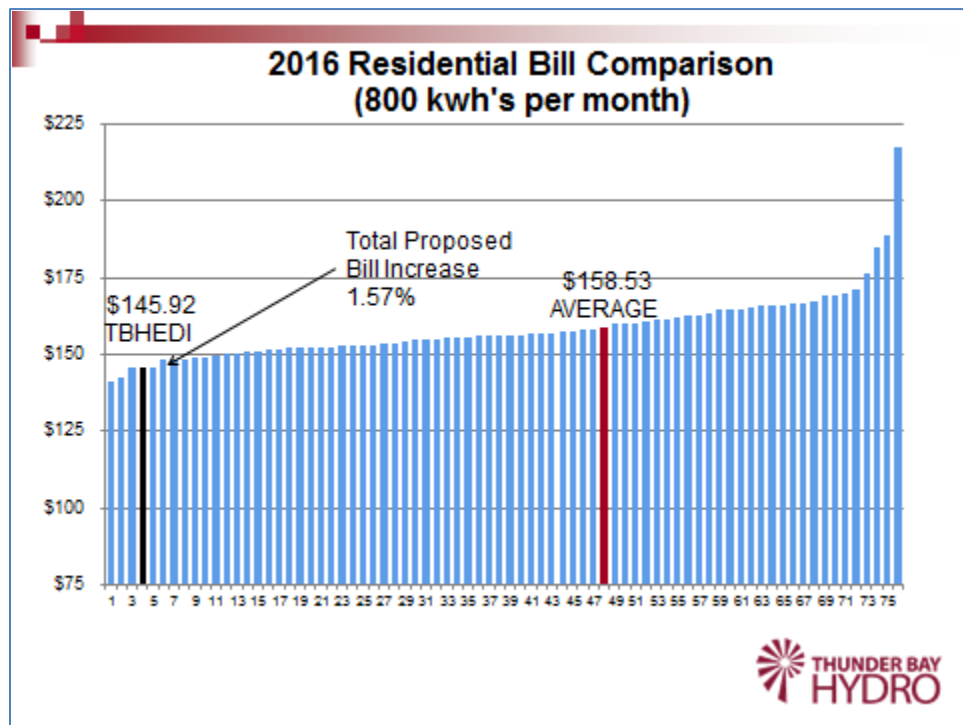
OEB Community Meeting
Oliver Road Community Centre
November 23, 2016



Putting Context to our Rates

- Thunder Bay Hydro amongst the lowest distribution rates in Ontario
- All profits from electricity distribution are reinvested in electricity infrastructure
 - Shareholder foregoes profit to keep rates low






Rate Impacts of Request


- Residential Distribution increase \$4.71 per month = 20.92%
 - Bill Impact \$2.17 or 1.57% of Total Bill
- Small Business increase \$13.69 per month = 24.83%
 - Bill Impact \$8.67 or 2.31% Total Bill





Request to the Ontario Energy Board

- *\$24M or an increase of \$4.1M on annualized Distribution Revenue*
 - *20.97% increase*
- *Effective date May 1, 2017*



Customer Input

- Two formal customer surveys addressing asset investment program and key items in Rate Application:
 - *3173 total respondents*
 - *Telephone and online input collected*
 - *1st engagement in February 2016*
 - *2nd engagement in September 2016*



Results of Customer Input

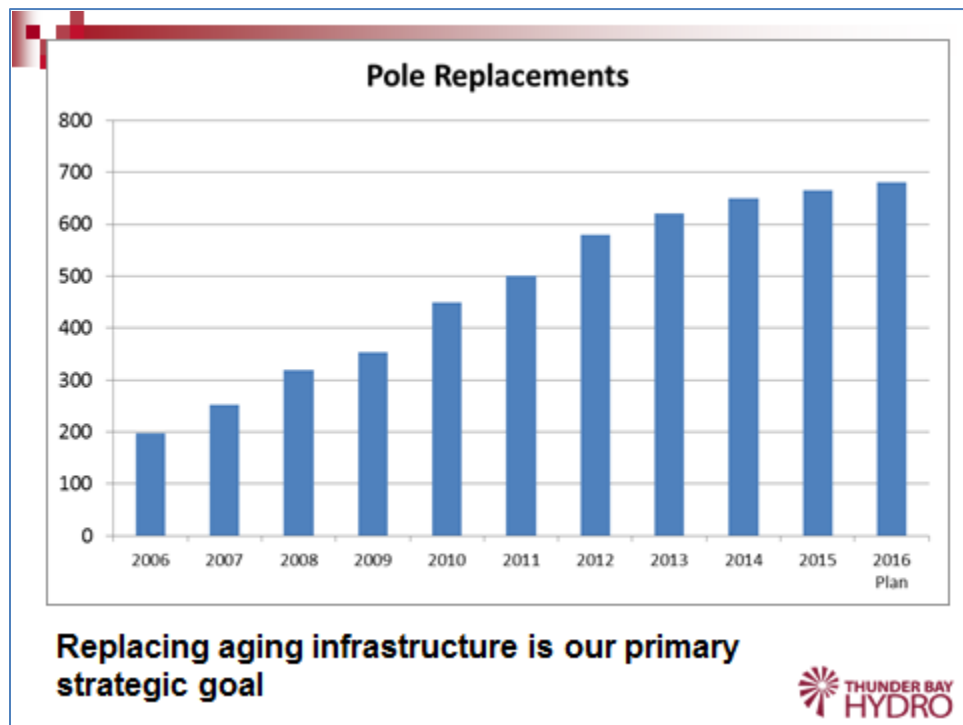
- Our Customers Support:
 - investments to enhance reliability reflected in asset reinvestment and grid modernization plans
 - reasonable rate increases to undertake activities applied for
- Application attempts to balance customers' desire for low rates with need to make responsible investments to ensure health of electricity system in the long term



Need for Rate Increases


- We need this increase to pay for:
 - Past and Future Investments in end of life infrastructure
 - \$2.8M or 68% of total increase
 - New targeted maintenance programs and increased forestry activity
 - \$250K or 6.4% of total increase
 - Required move to monthly customer billing
 - \$234K or 5.6% of total increase
 - Increased regulatory expenses
 - \$168K or 4.1% of total increase
 - Other inflationary cost increases



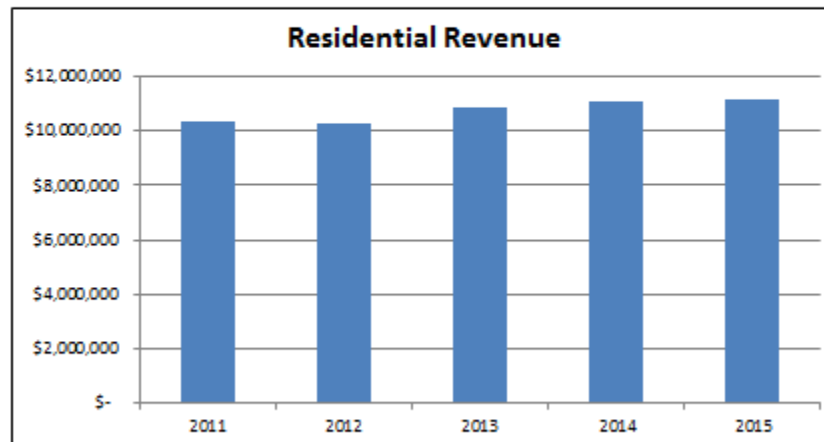


The Risks

- **Without this increase, we face:**
 - An aging system that is increasingly prone to failure by not properly reinvesting in the electricity distribution system
 - New targeted maintenance and increased forestry programs reduce the risk and impact of electricity supply interruptions.
- **Failure to fully recover increased regulatory and other costs means:**
 - reduced ability to cover items such as asset investment, operating and maintenance and customer service activities.



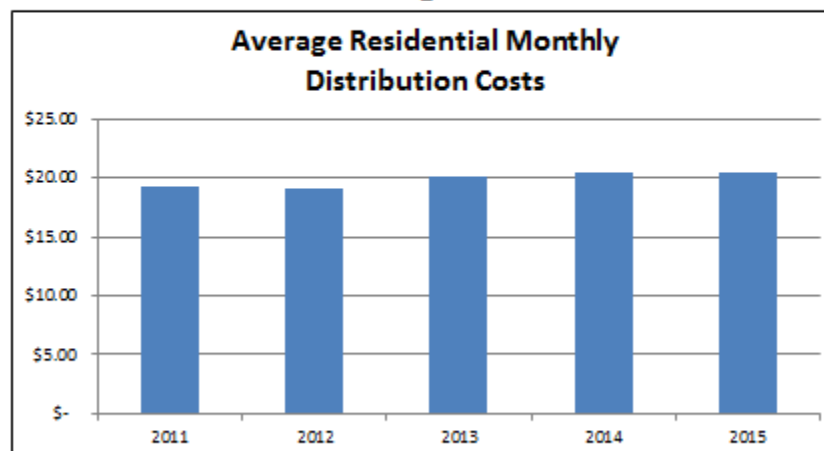
Historical Residential Distribution Charges



7.3% increase



Historical Residential Distribution Charges

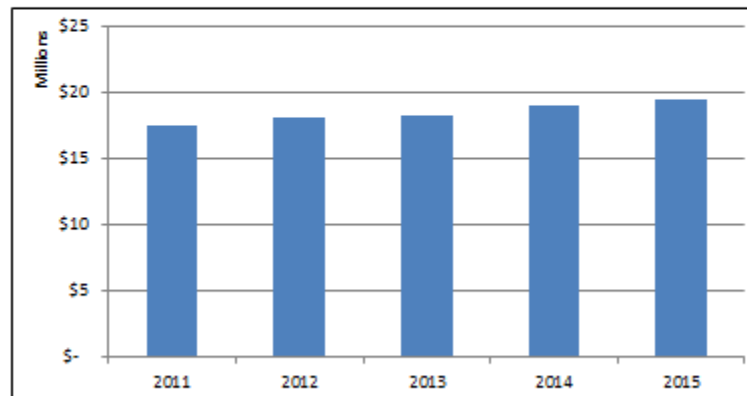


5.8% increase



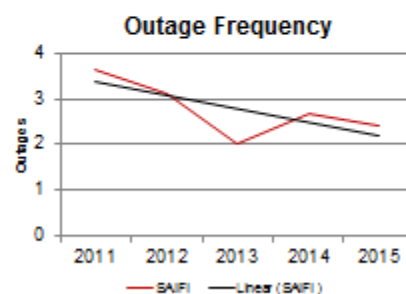
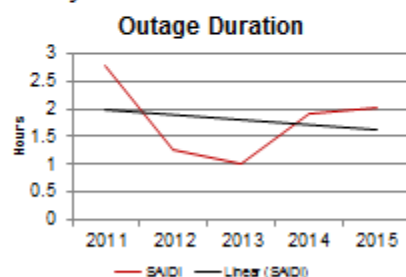
Total Utility Distribution Revenue


- \$92.2M total Distribution Revenue over past 5 years
- 17.6% Increase



Scorecard Highlights

- All OEB Service Quality have been consistently exceeded
- Fully compliant with ESA Safety requirements and Zero Serious Public Safety Incidents in last 5 years
- Electricity Reliability Trends show improvement over past 5 years






Reporting on Progress

How Thunder Bay Hydro keeps customers updated:

- Website – www.tbhydro.com
- Customer Newsletters
- Facebook
- Twitter – @ThunderBayHydro
- Information sessions and direct communications



For More Information

- Thunder Bay Hydro's 2015 Scorecard, Annual Report and additional information is available at:
www.tbhydro.com
- 2017 Distribution Rate Application available at:
www.ontarioenergyboard.ca/notice
- Email questions/comments to:
www.tbhydro.com/support/contact-us



SCHEDULE C
PRESENTATION FROM MR. PETER KRESIN
NOVEMBER 23, 2016

Submission to OEB File EB-2016-0105 re: Thunder Bay Hydro

Wednesday, November 23, 2016

Oliver Road Community Centre, Thunder Bay

My family relocated to Thunder Bay in 1996 at which time I became a Thunder Bay Hydro (TBH) customer. Since that time I've tracked the electricity rate and consumption for our home. I am proud to say that over the years I've taken initiatives to reduce electricity consumption by some 23% from 1997 to present day. This was all in an effort to reduce my cost. Due to increased hydro bills year after year, I suspect that many other Ontarians have also reduced their consumption rate in an effort to keep their cost reasonable. However, there is a limit to consumption reduction that I or any person can make. Prices will continue to increase to more than off-set any savings.

In 14 years from 1997 to 2011 my electricity rate, including all charges, taxes and credits, increased from 9.1 to 14.6 cents per kWh, a 49.1% increase. Over 14 years this averaged out to a 3.5% increase annually. Following smart meter installation, TBH started Time-of-Use pricing in 2012. From that year on electricity prices skyrocketed. By 2016 my off peak rate had increased by 36% over the 2012 rate. The mid-peak and on-peak rates increased by 33 and 53% respectively. In 4 short years my cost of energy alone increased an average of 41%. That averages out to a 10.3% increase annually. In addition, my delivery rate per kWh paid to Thunder Bay Hydro had also increased by 28% (an average increase of 7% annually) over this same 4-year period.

As the regulator in the province, I understand that the Ontario Energy Board (OEB) sets electricity prices. The OEB web site tells me that it is an independent and impartial public agency. They make decisions that serve the public interest. Their goal is to promote a sustainable and efficient energy sector that provides consumers with reliable energy services at a reasonable cost.

I believe a difference in definition of reasonable exists between OEB members and the consumer. According to the OEB, since it sets prices to serve the public interest, it is reasonable that Ontarians pay more for their electricity than other provinces in this country. I give you an example of what is reasonable for Ontarians to accept. On May 1, 2016 electricity cost, through TOU pricing, was increased by about 4%. The government and OEB blamed this increase on the recent mild winter which resulted in lower electricity consumption. Prices were increased to recover a shortfall. I really can't argue with that kind of reasoning, can anyone else? The latest initiative now is to get consumers to further reduce consumption in an effort to lower their bills. Our government continues to tell us to shift usage away from on-peak rate periods. Rebates are being offered for energy efficient installations and LED lighting to save on hydro bills. However, any savings on future bills goes directly against the pricing of electricity, because the less consumers use, the higher the price must go. Our current electricity conglomerate establishes that fact.

My point here; if the consumer is expected to reduce their consumption rate to save money, the electricity providers must also reduce their cost of providing it. Where is the incentive otherwise?

As far back as 1983 when I first became an Ontario Hydro customer, there has never been a cost reduction within the electricity supply chain – ever. This just goes to show Ontarians that the government and the OEB have lost their way to have any impact on electricity pricing at all. The cost structure boils down to the bureaucracy that includes politicians, the OEB, the Independent Electricity System Operator (IESO), Hydro One and Ontario Power Generation (OPG). Employees of OPG and Hydro One make enormous amounts of money and I expect that some of this carries through to OEB and IESO people as well. With the sale of Hydro One, public scrutiny will be gone. We will no longer see the sunshine list and the high salaries paid since it is no longer a public corporation. This is rather unfortunate and leaves us very vulnerable to future higher pricing.

With regard to Thunder Bay Hydro's application to increase the delivery rate by 4 dollars and 71 cents monthly, I've calculated that this increase will cost me an additional 56 dollars and 52 cents annually, not including taxes. I reviewed my delivery cost and compared the cost for the kilowatt hours I consumed in 2014 and 2015. I saw an increase of 9.7% in 2015 over that paid in the previous year. This application will add a further 18.1% in delivery charges to my bill. A future hidden carbon tax will increase this charge as well. TBH may be able to justify such annual increases with new spending for equipment renewal or upgrading within their distribution infrastructure. However, I think the increase is too high and must be moderated.

If OEB does their job well, these delivery charges can and should be offset by a reduction in electricity rates. Consumers are paying too much now for electricity and do not wish to pay more. In the long term, since OEB sets the rates, it must provide direction to our politicians, Hydro One, OPG and others to hold the line or even reduce their cost. Electricity rates in this province must come down. I think a lot of pressure needs to be put on the likes of all players within Ontario's electricity consortium; especially to reduce the number of employees, employee salaries and benefits and to reduce payment for green energy which has been significantly overvalued.

My bottom line, I am not in favour of supporting Thunder Bay Hydro's proposed increase in delivery charges without an off-setting cost in electricity pricing.

Peter Kresin,
Thunder Bay