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

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2016-0110

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Application for 2017 Rates

February 10, 2017

TABLE OF CONTENTS

1 INTRODUCTION

Welland Hydro-Electric System Corp. (Welland Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on December 15, 2016 seeking approval for changes to the rates that Welland Hydro charges for electricity distribution, to be effective May 1, 2017. For a typical residential customer beginning May 1, 2017, the proposed increase was $1.61 per month.

A Notice of Hearing was issued on January 18, 2017. Subsequent to the Notice of Hearing, the OEB hosted a community meeting on January 31, 2017 in the City of Welland, Ontario regarding Welland 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 Welland 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 Welland 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 Welland Hydro meeting was held at the Welland Community Wellness Centre in the City of Welland, Ontario on January 31, 2017 from 6:30 p.m. to 9:00 p.m. Approximately 40 customers attended the meeting to hear presentations from OEB staff and Welland Hydro. Prior to the presentations, OEB staff and Welland Hydro staff were available to informally talk to attendees and answer questions. OEB and Welland Hydro representatives responded to questions from attendees during and following the presentations.

The following OEB staff and Welland Hydro representatives attended the meeting:

OEB Staff

Dan Gapic, Manager, Incentive Rate-setting & Accounting
Georgette Vlahos, Advisor, Incentive Rate-setting & Accounting
Kristi Sebalj, Registrar
Andrew Bodrug, Senior Advisor, Industry & Stakeholder Relations
Lynn Ramsey, Senior Advisor, Industry & Stakeholder Relations

Welland Hydro

Wayne Armstrong, President and CEO
Kevin Bailey, Director of Engineering and Operations
Perry Orosz, Director of Customer Service and Employee Relations
Jocelyne Noel- Halle, Billing Supervisor and MDMR Administrator (French translator)
Cathy Bassi, Corporate Secretary/Privacy Officer/Executive

Other Attendees of Note
Cindy Forster, local MPP for Welland
Councillor Jim Larouche, Ward 6.

The OEB and Welland Hydro presented at the meeting. There was one customer presentation at the meeting.

Mr. E. Pearce indicated that he was not supportive of Welland Hydro's rate application and that the rate increase does not factor in Cap and Trade costs. He suggested that Welland Hydro move back to billing every two months rather than every month as this would cut billing cycles and save money. Mr. Pearce also suggested that more should be done to have more up to date usage data for billing purposes. Mr. Pearce's presentation is attached as Schedule C to this summary.

Meeting participants had general questions related to areas which are outside of the OEBs jurisdiction and Welland Hydro's application. Mostly these questions related to the OEB's role in Cap and Trade - there seemed to be some confusion over whether the OEB is responsible for Cap and Trade. There was also discussion with respect to the timing around meeting notices and that more notice is required. The OEB was asked why these meetings are not advertised in customers' bills. There was a suggestion that 60 day notice should be given.

Welland Hydro customers and Welland Hydro staff had discussions regarding their costs and what Welland Hydro is doing to keep costs low. Welland Hydro discussed its 2013 rebasing application compared to its 2017 proposed application and indicated reductions in staffing levels and general increases close to the level of inflation. Welland Hydro also discussed its favorable performance compared to other similarly sized distributors.

Specific Concerns Raised

- Where does Welland Hydro get their hydro from
- Does the OEB control the delivery charges of power transmitters and generators
- Electricity prices – general concerns regarding affordability, as well as provincial energy policy and how unsustainable rates are becoming
- How the 8% HST rebate works and how much Welland Hydro customers will save.
- Possible incentives for customers moving to e-billing
- Increasing microFIT rate from $5.40 to $10 acts as a disincentive
- Are these meetings just to air grievances and has the decision already been made to grant Welland Hydro's application request?
- There were many positive comments about Welland Hydro's customer service and wanting to keep the LDC a locally owned asset

SCHEDULE A

ONTARIO ENERGY BOARD PRESENTATION

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

EB-2016-0110

FEBRUARY 10, 2017

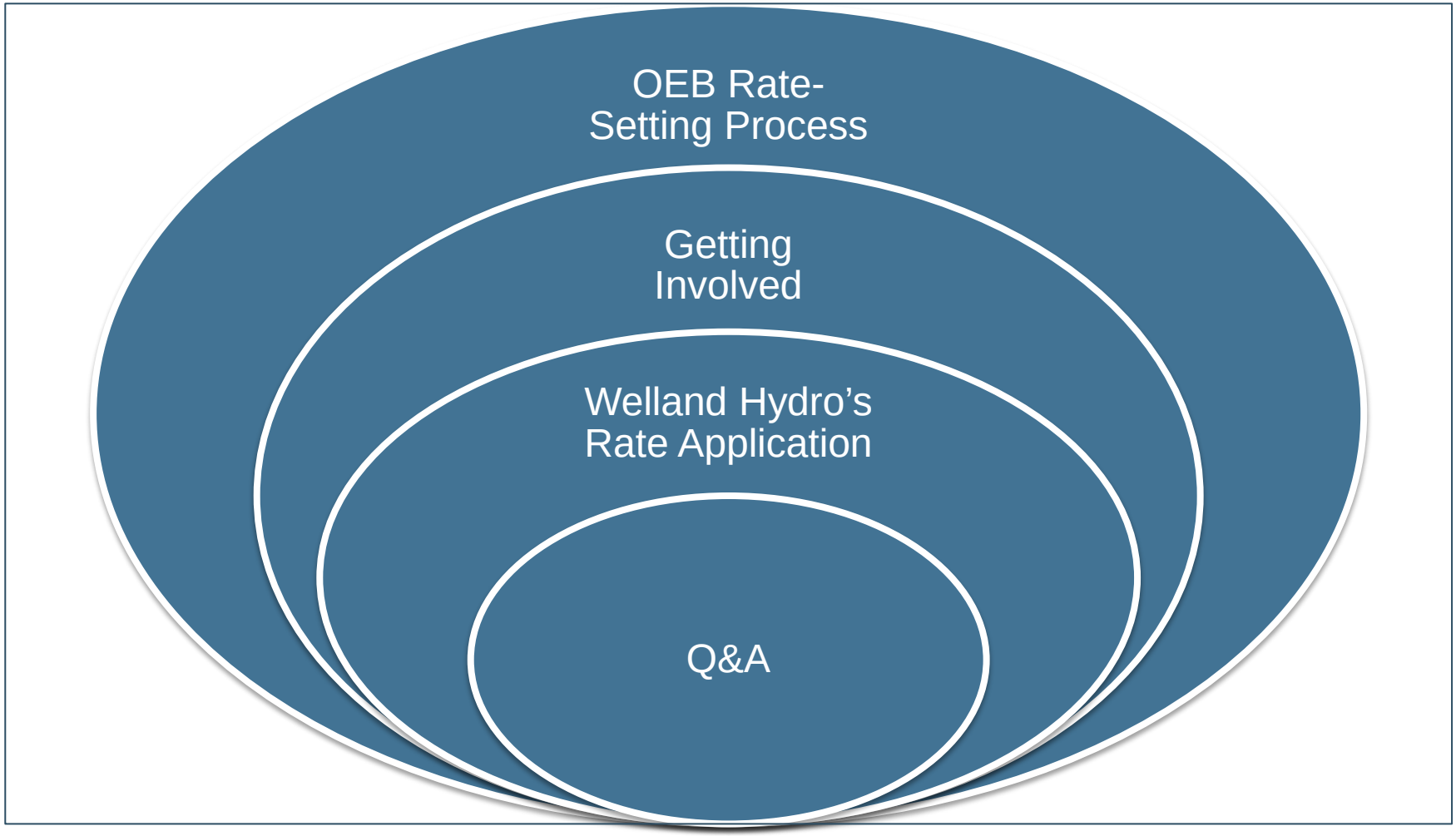
Ontario Energy Board
Commission de l'énergie de l'Ontario

Getting Involved In OEB's Decision-Making Process

OEB Community Meeting – Welland

January 31, 2017

Scope of Tonight's Meeting



Who We Are

- The Ontario Energy Board is an independent public agency.
  - Regulating gas since 1960 and electricity since 1999

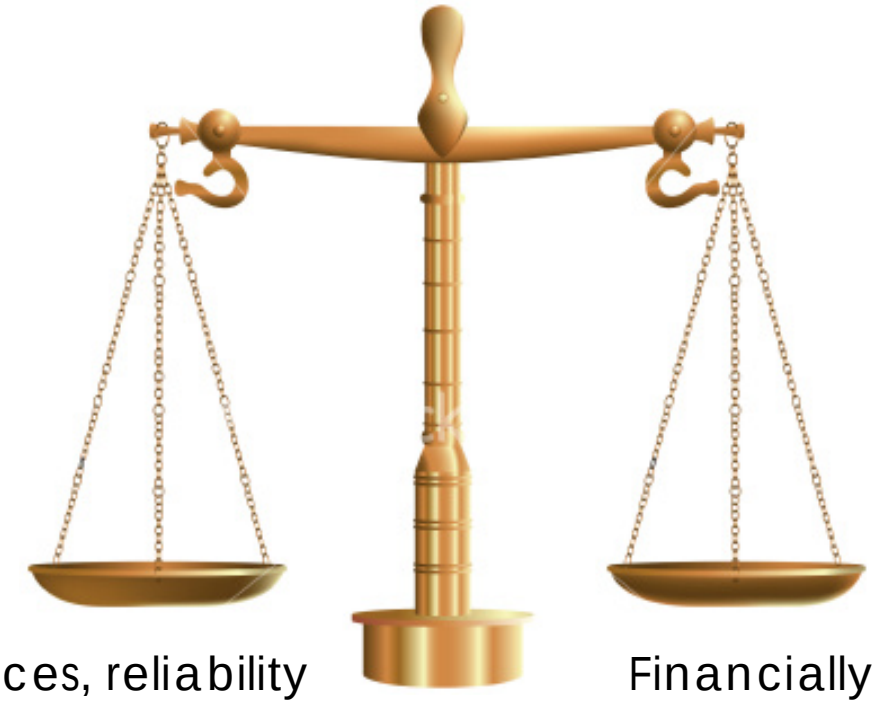
- Our goal is to promote a sustainable and efficient energy sector that provides energy consumers with reliable energy services at a reasonable cost.

The OEB Sets Distribution 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 (such as operations, maintenance, administrative expense, capital projects)
  - a fair return on equity

Delivering Value – Ensuring Reliability

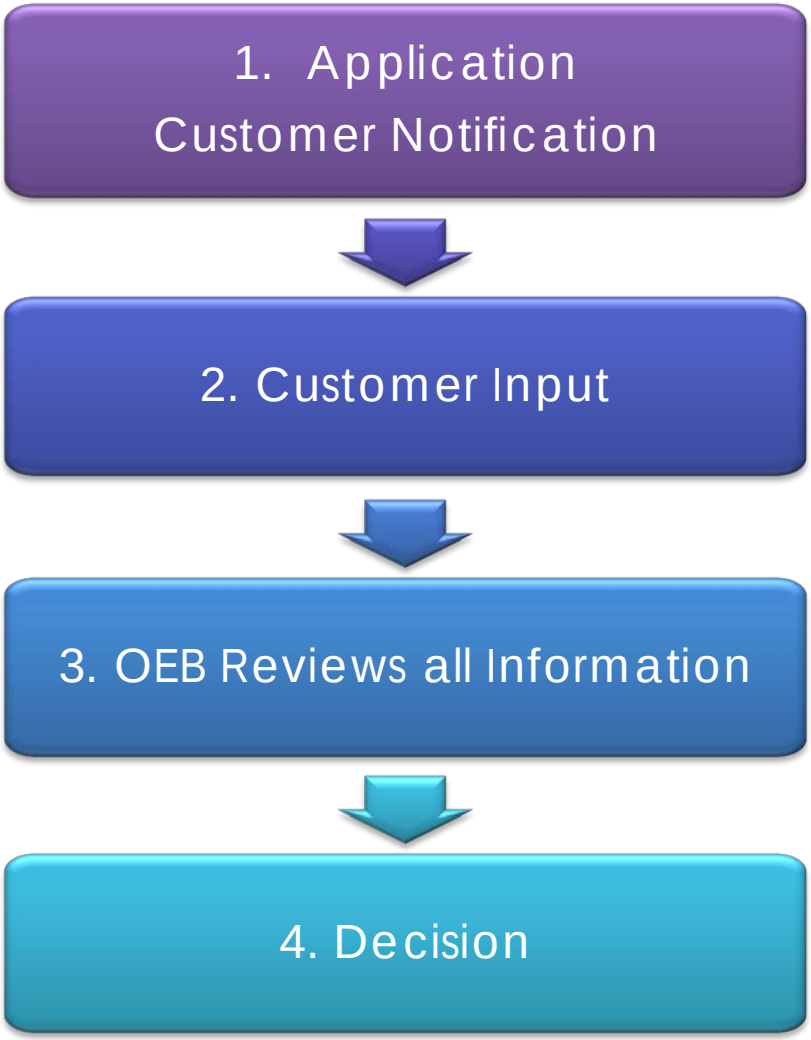
The OEB's job is to align various objectives to ensure reliability



Prices, reliability and quality of service

Financially viable energy sector

OEB Rate-Setting Process: Hearing Steps



Oral or written

Number of activities at each stage

Various Representatives

Timeline: ~ 9 months

Occurs every 5 years

Be Heard in the OEB's Process

1. Application Customer Notification

2. Customer Input

3. OEB Reviews all Information

4. Decision

Bill Inserts

Social Media

Website

Newspaper Notice

Community Meeting

Write a Letter

Intervenor

Contact the OEB

Posted on OEB Website
& Sent to Participants

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

What Can You Do?

- OEB wants to hear from you. We encourage you to:
  - Ask questions
  - Provide comments (via post or email)
  - Attend or listen in on the hearings
  - Follow the proceedings

- Your voice helps the OEB do our job:

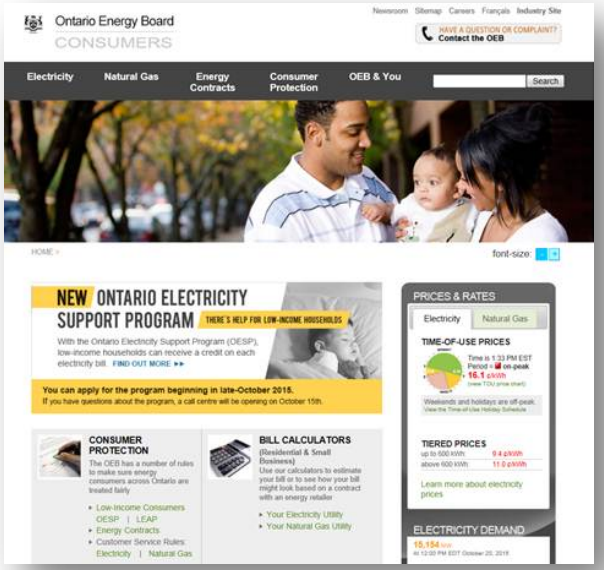
Ensuring utilities deliver value by focusing on what matters most to you

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

Visit our website



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Your Voice Matters – Thank You

SCHEDULE B

WELLAND HYDRO PRESENTATION

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

EB-2016-0110

FEBRUARY 10, 2017

2017 Cost of Service Rate Application

OEB Community Meeting
Welland Community Wellness Centre
January 31, 2017




Welland Hydro
ELECTRIC SYSTEM CORP.
POWERING WELLAND'S FUTURE

Governance and Corporate Structure

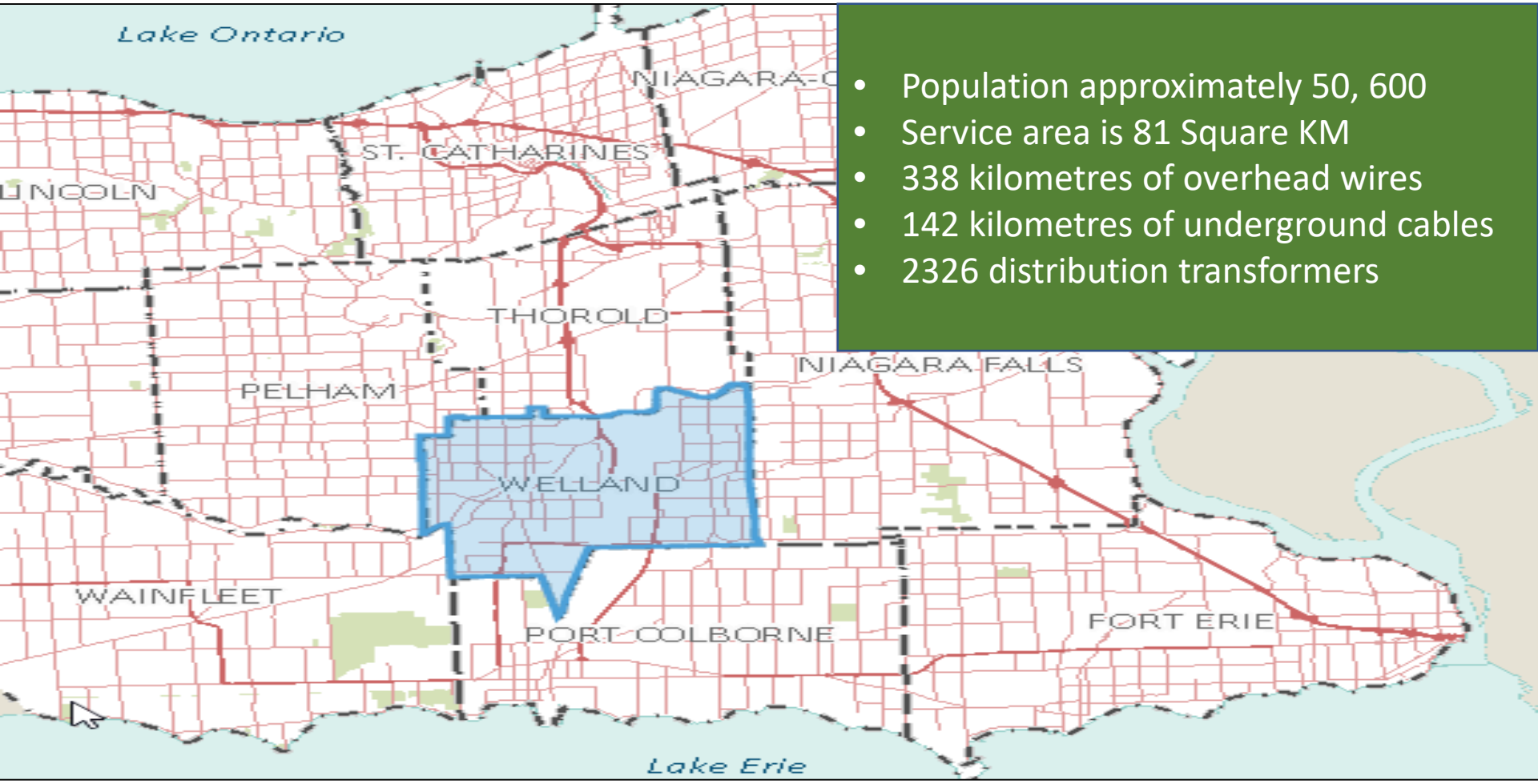
Welland
ONTARIO · CANADA

WELLAND HYDRO-ELECTRIC HOLDING CORP.

Welland Hydro
ELECTRIC SYSTEM CORP.
POWERING WELLAND'S FUTURE

- Wholly owned by the City of Welland
- Independent corporation governed by a Board of Directors
- Managed by a Senior Leadership Team

Service Area Profile



- Population approximately 50, 600
- Service area is 81 Square KM
- 338 kilometres of overhead wires
- 142 kilometres of underground cables
- 2326 distribution transformers

Performance Scorecard

To provide customers with a better understanding of how their local electricity utility is performing relative to other distribution companies across the province, the Ontario Energy Board compiles an annual Scorecard to measure and communicate Welland Hydro's performance:

2015 HIGHLIGHTS

1. **Customer Focus:**
   - **90% Customer Satisfaction Survey**
   - **99.99% Billing Accuracy**

2. **Operational Effectiveness:**
   - **Total Cost/Customer 12th lowest in Province**
   - **Average number of outages per customer per year is 1.39 (2016 - 0.91)**
   - **Average length per outage is 1.74 hours (2016 – 0.63)**

Scorecard - Welland Hydro-Electric System Corp.

9/29/2016

Performance Outcomes	Performance Categories	Measures		2011	2012	2013	2014	2015	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	100.00%	100.00%	94.00%	100.00%	⇩	90.00%	
		Scheduled Appointments Met On Time		99.70%	99.70%	99.40%	99.70%	98.50%	⇩	90.00%	
		Telephone Calls Answered On Time		99.90%	98.40%	99.00%	96.90%	98.50%	⇩	65.00%	
	Customer Satisfaction	First Contact Resolution					78%	84			
		Billing Accuracy					99.99%	99.99%	⇨	98.00%	
		Customer Satisfaction Survey Results					88%	90			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness						84.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	⇨		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	⇨		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	⇨		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		2.84	1.26	4.86	1.53	1.74	⇧		2.27
		Average Number of Times that Power to a Customer is Interrupted [2]		1.92	1.33	2.34	1.76	1.39	⇩		1.80
	Asset Management	Distribution System Plan Implementation Progress					On Track	On Track			
	Cost Control	Efficiency Assessment			2	2	2	2			
		Total Cost per Customer [3]		$463	$482	$472	$483	$493			
		Total Cost per Km of Line [3]		$33,562	$23,071	$23,533	$23,278	$23,293			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]						6.78%			25.50 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		50.00%							
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%	100.00%	⇨	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		2.87	2.84	1.42	1.61	1.50			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.23	1.16	1.15	0.87	0.84			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.01%	8.93%	8.93%	8.93%			
			Achieved	5.74%	6.73%	10.50%	9.98%	8.72%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend: ⇧ up ⇩ down ⇨ flat

Current year: target met; target not met

Summary of Historical Expenditures (Million$)

	2013 COS	2013	2014	2015
OM&A Expenses	$6.4	$6.2	$6.2	$6.3
Capital Expenditures	$2.0	$2.1	$2.2	$2.2

Highlights of Projects Completed 2013 to 2015 (Million$)
Total Capital Spending 2013 to 2015 - $6.5 • Overhead Line Renewal - **$3.4** • Underground Rebuild - **$1.4** • Vehicle Replacement - **$0.6** • Computer Systems - **$0.4**

Cost of Service (COS) Rate Application

Background

Welland Hydro:

- is funded by the distribution rates paid by its customers
- must submit evidence to justify the amount of funding it needs to operate
- gathers and considers the input and preferences of customers in planning and prioritizing its spending

Rate Setting Process

- Welland Hydro's last Cost Of Service (COS) application resulted in rates effective:
  - **May 1, 2013- Overall Reduction of (3.3)% (Change in Accounting Methodology)**
- Between COS applications, marginal increases to distribution rates were approved based on inflation and less an adjustment designed to promote efficiency:
  - **May 1, 2014 1.55% increase**
  - **May 1, 2015 1.45% increase (Loss of large user)**
  - **May 1, 2016 1.95% increase**
- Through the COS process the rates are rebalanced to consider the actual level of prudent costs associated with operating and maintaining the distribution system
- The rate impact is forecasted to be greatest in the first year (2017- projected to start May 1, 2017) and lower in the subsequent years (2018-2021)

Highlights of Customer Preferences and Planned Responses

Welland Hydro has a comprehensive and ongoing customer engagement program, featuring multiple consultation activities over the past few years

Preference Identified	Planned Response
Maintain System Reliability 1. Proactive and consistent approach to system maintenance. 2. Proactive replacement of aging infrastructure (little support for a run-to-failure). 3. Invest in the equipment and tools needed to manage the system efficiently.	1. Preventative Maintenance Programs 2. Asset Condition Assessment & Health Index 3. Prioritize Capital Spending within General Plant Capital
Affordable Price 1. Prudent financial planning and investment strategy. 2. Demonstrate cost savings. 3. Programs to help customers better manage electricity consumption and lower bills	1. Levelized Capital Spending 2. Reduction of Two (2) Full Time Employees 3. Customer Connect
Enhanced Customer Services 1. Improved estimated time of restoration (ETOR) during outages. 2. Better communication on CDM programming and tools to manage electricity usage. 3. Customer representatives should demonstrate empathy and customer respect.	1. Improved Social Media Communications 2. Target Marketing of SaveONenergy programs through local media outlets 3. Enhanced Customer Service Representative Training

Customer Engagement

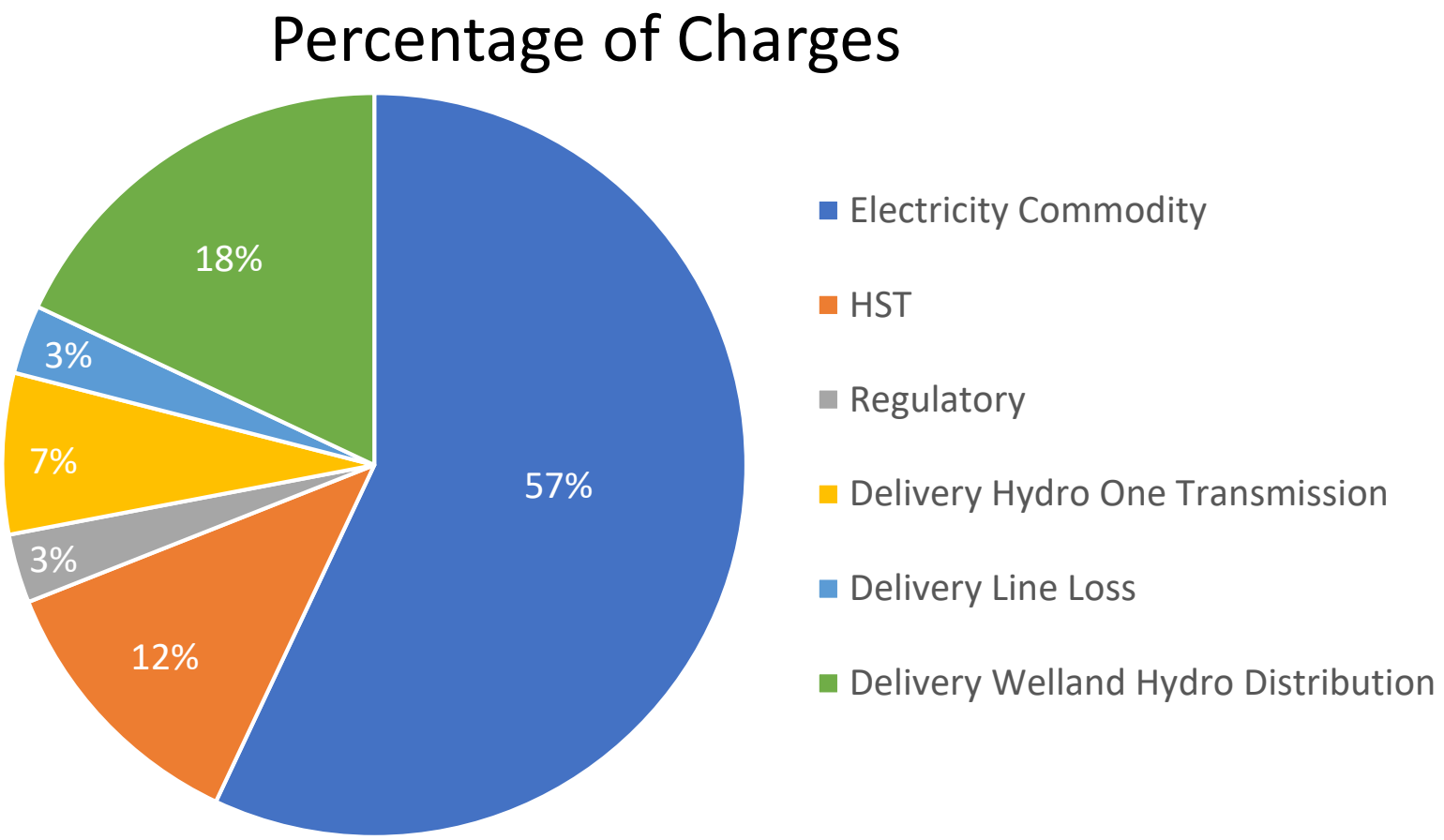
How does Welland Hydro listen to its customers:

1. Customer Satisfaction Surveys (2013 – 2016)
2. Community Meetings/Corporate Calls for Commercial Accounts
3. 2017 Rate Application (August 2016)
    - Customer Focus Group - Residential
    - Customer Focus Group - Small Business
    - Telephone Surveys Seeking Customer Input
    - Meetings with Large Commercial/Industrial Customers
4. Local Customer Contact Centre
    - Phone/Email
    - *In Person*
5. Meetings with Local Social Agencies

Understanding where your money goes…

Your Electricity Charges – Residential 750 kWh per month		
Electricity		
Off-Peak @ $.08700		$42.41
Mid-Peak @ $.13200		$16.83
On-Peak @ $.1800		$24.30
Delivery	WHESC ($27.14)	$41.92
Regulatory Charges		$4.99
Debt Retirement		$0.00
Total Electricity Charges		$130.45
HST		$16.96
Total Amount (*Before 8% Provincial Rebate Effective January 1, 2017)		**$147.41**
***Total Amount After Provincial Rebate**		**$136.97**

Understanding where your money goes…



Impact of 2017 to 2021 COS Application May 1, 2017 Implementation Date

Year	Average Residential Bill	Distribution Portion of the Bill (excl. Pass Through)	Change from Previous Yr. – Distribution excl. Pass Through	Change From Previous Yr.-Total Bill (incl. tax)	% Change (on total bill)
2016	$147.41	$27.14			
2017	$148.69	$28.75	$1.61	$1.28	0.86%
2018	$149.26	$29.25	$0.50	$0.57	0.38%
2019	$149.84	$29.76	$0.51	$0.58	0.39%
2020	$150.43	$30.28	$0.52	$0.59	0.39%
2021	$151.03	$30.81	$0.53	$0.60	0.40%

Bill Impacts are calculated on a typical monthly bill for the average residential customer consuming 750 kWh per month. Future years' increases are illustrative projections only.

Welland Hydro
ELECTRIC SYSTEM CORP.
POWERING WELLAND'S FUTURE

Bill Impact – Average Residential

	Current	Proposed	$ Change
WHESC Charges	$27.14	$28.75	$1.61
Other Distribution Charges	$3.80	$3.57	($0.23)
Transmission Charges	$10.98	$10.76	($0.22)
Sub-Total Delivery	**$41.92**	**$43.08**	**$1.16**
Regulatory Charges	$4.99	$4.96	($0.03)
Electricity (Time of Use)	$83.54	$83.54	$0.00
HST	$16.96	$17.11	$0.15
Total Bill Impact Before Rebate	**$147.41**	**$148.69**	**$1.28**
8% Provincial Rebate	($10.44)	($10.53)	($0.09)
Total Bill Impact After Rebate	**$136.97**	**$138.16**	**$1.19**

Planned Capital Investments

System Access

Definition: Investments that respond to customer requests for new connections or new infrastructure development. These are high priority, "must do" projects, as Welland Hydro is mandated to connect new customers to the distribution system.

Projects include: new subdivision and business customer connections, and relocating assets based on infrastructure needs

System Renewal

Definition: These projects are a mix of planned end-of-life replacement and assets susceptible to failure in the near term.

Projects include: substation upgrades, and underground cable, overhead cable and pole & transformer replacements

System Service

Definition: These investments consist of projects that improve system reliability and customer service.

Projects include: automated switches and improved distribution monitoring equipment

General Plant

Definition: These investments, such as tools, vehicles, buildings and the information technology systems used to manage financial and customer information, are required to operate and maintain the distribution system efficiently and service customers.

Projects include: financial and customer information system upgrades, vehicle replacement

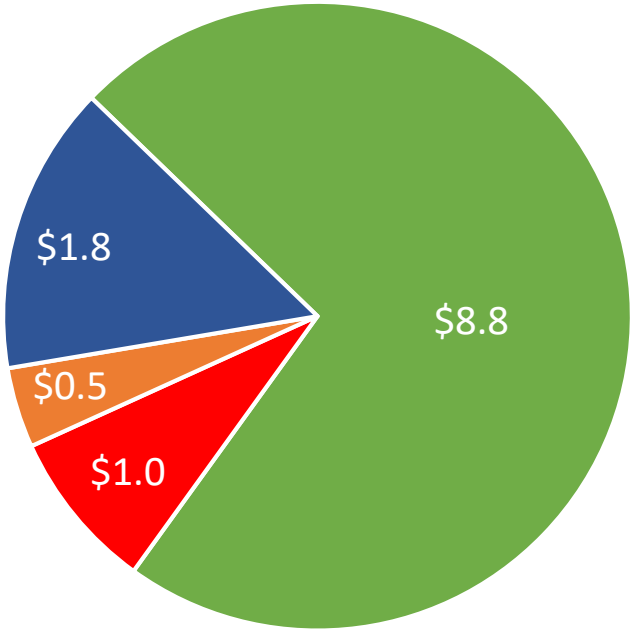
Planned Capital Investments

Forecasted Capital Expenditures, 2017- 2021 ($12.1million)

General Plant
- Building & Grounds
- Vehicles
- Computer Systems

System Service
- Scada Systems
- Relays/Protective Systems

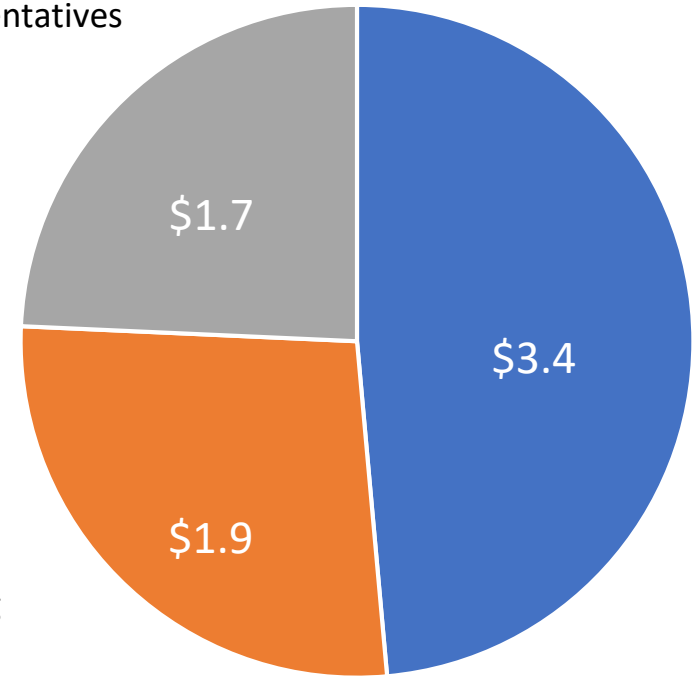
System Access
- New Services
- Metering



System Renewal
- Poles & Overhead Conductors
- Underground Cables
- Transformers
- Substations

2017 Planned OM&A Expenses (Million$)

Customer Service
- Customer Contact Representatives
- Customer Billing Systems
- Postage



Operations and Maintenance
- Line/Metering Departments
- Engineering
- Vehicle Maintenance
- Vegetation Control
- Locates
- Preventative Maintenance Programs

Administrative & General
- Administrative/Accounting
- IT Systems
- Regulatory Expenses
- Audit/Legal/Consulting

The Risks

1. **Welland Hydro capital expenditures are primarily related to System Renewal (73%) to Sustain / Enhance System Reliability**

Risks

- Delaying investments in the distribution system will ultimately cost even more to fix in the long-run.
- An unreliable system, plagued by power quality issues will make it difficult for Welland to attract new business.
- Climate change has led to the increased occurrence of adverse weather and major storms. Without investments in system renewal and hardening, longer and more frequent power service interrupts may become the norm.

2. **Recovery of OM&A Expenses**

Risks

- 2017 COS manpower of 41 is a reduction of two (2) from the 2013 COS
  - Further reductions could impact:
    - Customer service activities
    - Preventative maintenance programs
    - Outage response times
    - Long term workforce planning

Feedback, Discussion and Results

Contact Information:

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SCHEDULE C

PRESENTATION FROM MR. E. PEARCE

EB-2016-0110

FEBRUARY 10, 2017

OEB Copy

ONTARIO ENERGY BOARD - January 29, 2017
Community Meeting January 31, 2017
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
RE: FILE EB - 2016-0110

Welland Hydro's request to raise electricity distribution rates by about $1.61 per month, **should not** be approved by the Ontario Energy Board.

That proposed increase does not include the (non-disclosed) cost of the cap & trade fiasco on electrica energy bills. Consumers are faced with a significant financial "hit" each month, when these increases are added to the new natural gas rates, and the cap & trade levies on all energy sources.

While the OEB did not increase the "Winter" electricity rates, on November 1, 2016, it did not return the tariff to the previous lower "Winter" rates. Instead, it kept the higher "Summer" rates in place, while utilizing the "Winter" time-of-use periods -- those put the peak rates in place at the prime usage times, of 7am-llam, and 5pm-7pm. We had better get used to cold breakfasts, and suppers all winter.

There is an exhortation "Take Charge" on the Rate Notices we receive. I find that message somewhat hypocritical; consumers nowadays have little, to no further control, over their electricity consumption. Even if they did manage to reduce their usage, even a little, the "catch-22" factor would then kick in! If enough consumers managed to squeeze a little off their bills, then the utilities would be crying that their incomes were falling, and therefore they required another round of rate increases to compensate.

We have seen that exercise before, with our water bills, when a few years back we were told time after time, to reduce water consumption, & water meters were mandated. Then, when water consumption and sewage volumes fell, the Regional facilities complained of reduced income. Result: the rates for both water and sewage were quickly increased across the board! Consumers lost again!

Suggestions. If Welland Hydro wanted to save some money, they should return to the 2-months billing cycle they had, up until January 2011. That would save the costs of six extra billing cycles per year. (I have asked several times, what additional costs are incurred for the monthly billings practices, but have been unable to obtain the numbers.)

Also, with the so-called "smart" meters, they should be able to bring the billing information/charges more up to-date. Example: my Jan. 04/17 billing statement covers consumption only for the period Nov.14/16 to Dec. 14/16 - the reading date. This billing was received on January 11/17. Enbridge reads my gas meter on Jan. 5/17, for the Dec. 6/16 to Jan. 5/17 period, and generates a billing statement on Jan. 6/17, which I also received Jan. 11th. By moving up to more current usage billings, the utility may improve the financial returns, offsetting against current expenses. Regardless, Welland Hydro's request for an even higher tariff, should not be approved. Consumers are being hammered far too much, and too often, by a host of increases, from all directions. Thank you for your consideration...

E. Pearce