



# **Community Meeting**

**Essex Centre Sports Complex**

**Thursday March 2, 2017**

# Background

- E.L.K. Energy Inc.
  - Is funded by 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
  - Through the COS process the rates are rebalanced to consider the actual level of prudent costs associated with operating and maintaining the distribution system

# Request to the Ontario Energy Board

- E.L.K. Energy Inc. has applied to the Ontario Energy Board to raise its electricity distribution rates effective May 1, 2017.
- If the application is approved, a typical residential customer of E.L.K. Energy Inc. would see an increase of approximately \$3.50 per month.

# Customer Input

## Key concern:

1. Affordable electricity costs;

## Other priorities:

2. Reliability of service with rapid response to un-planned outages;
3. Information supporting the value of services provided;
4. Assistance to reduce consumption and thereby costs;
5. Professional interactions with highly skilled and experienced personnel;
6. Communications through a variety of media including phone, internet, social media, in-person and email;
7. Proactive communications when there are un-planned outages;
8. Business to be customer centric including timely service that solves their problems; and
9. Continued delivery of high quality services.

# We take Affordability Seriously

- E.L.K. is one of the **leanest and lowest cost** utilities in Ontario
- Ontario Energy Board compares all utilities across the province based on cost efficiency
  - E.L.K. is the **third most efficient utility** in the province
  - E.L.K. operates on average at **37.6% below expected costs**
  - By comparison, 29 utilities are operating on average **15.7% above expected costs**
  - The highest percentage utility is operating at **70.0% above expected cost.**

*PEG July 2016 Benchmarking Update*

- Only **1** other utility in Ontario has **lower** residential and small business rates than E.L.K., when using the OEB's website tool "Calculate your Bill"

# **We take Affordability Seriously**

*“Figures from the Ministry of Energy show the **average monthly charge for delivery of electricity is \$32 for typical household consumption of 750 kilowatt hours.** That includes meter reading, general utility operations and a variable charge based on the amount of power used.”*

***The fees range from a low of \$15.55 at tiny ELK Energy Inc. in Essex, near Windsor, to a high of \$90.84 for seasonal customers in remote areas served by Hydro One.”***

**Rob Ferguson, Toronto Star, February 6, 2017**

# Why are we asking for a rate increase?

- Succession planning to maintain an adequate and skilled employee base
  - To maintain low cost, E.L.K. is very lean (minimal staff)
  - Linemen and engineers take years to train
  - These are the people required to operate and maintain the distribution system
- We need to hire now to be ready for recent and future retirements:
  - 2 linemen
  - 1 operations/engineering staff

# Why are we asking for a rate increase?

## Capital investments

- 2017 capital investments in the system in-line with historical average spending

2013	2014	2015	2016	2017 (planned)
\$1,478,886	\$986,178	\$1,328,020	\$1,479,500	\$1,313,503

- Steady and consistent plan into the future

2017	2018	2019	2020	2021
\$1,313,503	\$1,429,202	\$1,355,258	\$1,364,543	\$1,367,384



# Capital Investments

\$3.3M

## System Access

### Definition:

Investments that respond to customer requests for new connections or new infrastructure development. These are high priority, "must do" projects, as E.L.K. Energy Inc. 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:

Underground cable, Overhead cable and pole and transformer replacements.

\$1.8M

\$0.0

## 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.

\$1.6M

# Why are we asking for a rate increase?

- Increasing regulatory burden
  - Customer engagement
  - Implementing government programs
    - Ontario Electricity Support Program
    - Arrears Management Program
  - New OEB reporting requirements
- We need to hire now to deal with increased workload:
  - 1 accounting/regulatory staff
- Additional benefits
  - increased financial controls and monitoring

# Why are we asking for a rate increase?

- One-time costs - preparation and support of this OEB rate application
- Other inflationary cost increases

# 2017 Business Plan

E.L.K. has taken a strategic approach to its business plan in order to position itself to deliver on its goals and objectives.

1. Maintain an adequate and skilled employee base to meet ongoing demand and meet E.L.K.'s Capital Investment Plan.
2. Increase regulatory/accounting and operational capacity in the accounting and engineering departments. Right size these departments.
3. Plan to meet E.L.K.'s Service Quality Objectives by increasing formal customer engagement activities.
4. Plan to meet E.L.K.'s Conservation and Demand Management Objectives.
5. Plan to formalize the asset management process
6. Plan to meet E.L.K.'s Health, Safety and Wellness Objectives

# The Risks

- Without this resourcing and investments, E.L.K. will struggle to meet these goals.
  - Limited resourcing is becoming an issue
  - Workloads are increasing
  - Support is needed

# The Conclusion

## Efficiency Assessment

- The OEB divides electricity distributors into five groups based on their efficiency.
  - Group 1 is the most efficient (best).
  - Group 5 is the least efficient (worst).
- **Even with the requested increases set out in the application, E.L.K. forecasts that it will remain ranked in Group 1 – most efficient**

# The Conclusion

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

# For More Information

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