



**CHAPLEAU PUBLIC UTILITIES  
CORPORATION**

CHAPLEAU, ONTARIO

P0M 1K0

May 16, 2017

Ontario Energy Board  
P.O. Box 2319 27th Floor  
2300 Yonge Street Toronto,  
Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Regarding: Request for deferral of Cost of Service Application from 2018-2019

Dear Ms. Walli,

CPUC respectfully requests a deferral from this rebasing schedule and requests a Cost of Service application to be filed for rates effective January 1, 2019. The utility's justifications for its request are explained below.

**Preamble**

As noted in the Board's letter dated January 29, 2015, Chapleau Public Utilities Corporation. (CPUC) was scheduled to file a Cost of Service application for rates effective in 2016. On February 23, 2015, CPUC filed a letter with the Ontario Energy Board (OEB) requesting a one-year deferral of its Cost of Service Application for the 2016 rate year. The request was denied due to a ROE being significantly higher than the OEB approved level. A Cost of Service application for 2016 rates was ultimately filed on September 2, 2016, but was subsequently returned on December 19, 2016, as incomplete. Since that time, several issues have occurred that has prompted the herein request for a deferral.

In its decision to seek a deferral, CPUC considered several factors in determining whether this option was possible and whether it would be in the best interest of all stakeholders but most importantly CPUC's customers. In doing so, the utility looked at the following factors;

- Aligning rates with the utility's fiscal year.
- Past financial results.
- Past safety and reliability performances.
- Timing of Major Capital Investment.
- Corporate restructuring.

Aligning rates with the utility's fiscal year.

CPUC believes the benefits of aligning rate year with the fiscal year are considerable in that aligning distribution rates with the expenses upon which the rates are granted serve to eliminate certain administrative burdens.

Past financial results

On Financial Results, CPUC notes that since its 2012 Cost of Service, the utility's Return on Equity ("ROE") has seen significant year over year fluctuations which is often the case in smaller utilities where a small shift in spending trend can have a considerable impact on the ROE. The table below shows a summary of the utility historical financial performance including its ROE from 2012 Board Approved to 2016.

**CPUC Financial Results**

	2012	2012	2013	2014	2015	2016
Revenue Sufficiency / (Deficiency)	0	-6,571	68,192	50,586	50,393	-66,237
Distribution Revenues	798,919	620,279	865,499	948,351	830,055	784,831
OM&A Expenses	644,340	539,679	638,471	744,673	730,565	737,273
Depreciation & Amortization	75,576	32,415	72,025	72,466	50,827	52,874
Deemed Interest Expenses	38,606	-2,870	7,170	6,037	4,490	2,425
PILs / Income Taxes	13,814	9,654	7,123	7,050	6,619	6,989
Other Revenue	41,735	38,634	10,058	30,361	-1,687	47,433
<b>Utility Income</b>	<b>55,168</b>	<b>80,035</b>	<b>150,769</b>	<b>148,485</b>	<b>35,866</b>	<b>32,702</b>
Achieved ROE	9.12%	-17.50%	19.84%	16.88%	0.40%	-1.96%

CPUC's "Achieved" Rate of Return for 2012 to 2016 were reported as -17.50%, 19.84%, 16.88%, 0.40% and 1.96% respectively. As shown in the table above, the utility's ROE has been below the 300 basis points threshold for the last two years indicating that the customers are not negatively affected by an overcollection of revenues compared to expenses. Although the utility is currently operating with a deficiency of \$66,237, CPUC believes that deferring its rate application until 2019 is its best option at this time.

### Past safety and reliability performances

With respect to Safety and Reliability measures, CPUC's scorecard measures indicate that the utility is maintaining its scores at a more than adequate level.

### **CPUC SQI Results**

Indicator	OEB Minimum Standard	2012	2013	2014	2015	2016
Low Voltage Connections	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%
High Voltage Connections	90.0%	N/A	N/A	N/A	N/A	N/A
Telephone Accessibility	65.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Appointments Met	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Written Response to Enquires	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Emergency Urban Response	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Emergency Rural Response	80.0%	N/A	N/A	N/A	N/A	N/A
Telephone Call Abandon Rate	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Appointment Scheduling	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rescheduling a Missed Appointment	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Reconnection Performance Standard	85.0%	100.0%	100.0%	100.0%	100.0%	100.0%

### Timing of Major Capital Investment

With consideration to all the above justifications, the main reason for the request for a deferral is that the utility plans on building a substation in 2018/2019. At this point, CPUC does not anticipate the substation to be in service in 2018 and believes that such a significant capital investment should be included in the Distribution System Plan, and the utility's Test Year, therefore, CPUC believes that rates effective January 1, 2019, would be appropriate given these circumstances.

### Corporate restructuring.

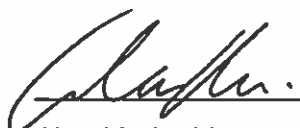
CPUC currently operates as a virtual utility in that CPUC has no employees and acquires services from an affiliate via a Master Services Agreement ("MSA"). CPUC is considering restructuring from a virtual corporation to an operating utility. Before it can do so, the utility is conducting an analysis to ensure that this decision is in the best interest of the both the utility and its customers. If CPUC goes forward with the restructuring, assets and costs would be transferred from the affiliate to the utility which would affect the utility's Distribution System Plan and overall costs structure. CPUC feels that having several years as comparators would help support the costs presented in the next Cost of Service application.

Given all of the above arguments, CPUC feels it is reasonable and justifiable for the OEB to approve the utility's request for a deferral in filing its Cost of Service application.

Should the board have questions regarding this matter please contact Alan Morin at 705-864-0111.

Respectfully Submitted,

Original Signed by:



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Alan Morin, Manager

Chapleau Public Utilities Corporation.