



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

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## **OEB STAFF SUMMARY OF COMMUNITY MEETING**

**EB-2017-0073**

**Sioux Lookout Hydro Inc.**  
**Application for 2018 Rates**

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**November 14, 2017**

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## 1 INTRODUCTION

Sioux Lookout Hydro Inc. (Sioux Lookout Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on August 28, 2017 seeking approval for changes to the rates that Sioux Lookout Hydro charges for electricity distribution, to be effective May 1, 2018. For a typical residential customer, beginning May 1, 2018, the proposed increase on the distribution portion of the bill is \$5.76 per month (excluding the impact of the Distribution Rate Protection program, which is applicable to Sioux Lookout Hydro).

The OEB hosted one community meeting on November 7, 2017 in Sioux Lookout, Ontario regarding Sioux Lookout Hydro's 2018 rate 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 at 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 Sioux Lookout 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 Sioux Lookout 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 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 Sioux Lookout Hydro meeting was held at the Heritage Railway Station in Sioux Lookout, Ontario on November 7, 2017. Doors opened at 6pm and the meeting started shortly after 6:30pm. It ended at about 8pm. Approximately a dozen customers attended the meeting to hear presentations from OEB staff and Sioux Lookout Hydro. Prior to and following the presentations, OEB staff and Sioux Lookout Hydro staff were available to informally talk to attendees and answer questions. OEB and Sioux Lookout Hydro representatives responded to questions from attendees during and following the presentations.

The following OEB staff and Sioux Lookout Hydro representatives attended the meeting:

#### OEB Staff

Sylvia Kovesfalvi, Manager, Community Relations and Outreach  
Lynn Ramsay, Senior Advisor, Community Relations and Outreach  
Jennifer Lea, Counsel - Special Projects, Legal Services  
Lawren Murray, Counsel, Legal Services  
Lawrie Gluck, Project Advisor, Major Applications

#### Sioux Lookout Hydro

Deanne Kulchyski, President / CEO

OEB staff and Sioux Lookout Hydro presented at the meeting. There were no customer presentations at the meeting.

Meeting participants had questions related to: the capital plans of Sioux Lookout Hydro; how Sioux Lookout Hydro considered growth in its application; the impact of the Fair Hydro Plan; bill impacts; and shareholder dividends. Meeting participants also raised concerns with respect to the overall electricity bill.

#### **Specific Concerns Raised**

- Capital Plans – Questions regarding new technology investments considered, the pole replacement program, and the purchase of a new bucket truck.
- Regulatory Costs – Questions on the nature of the regulatory costs for which Sioux Lookout Hydro is seeking recovery as part of the current proceeding.

- Population Growth – Questions on whether population growth is reflected in the application.
- Proposed Revenue Requirement – Questions regarding whether part of the current proposal to increase rates is related to not receiving the full amount requested in previous proceedings.
- Government Rebates – Questions regarding a comparison of the rebate provided to customers of Sioux Lookout Hydro and customers of Hydro One and whether an incremental rebate could be provided to Sioux Lookout Hydro's customers as they did not receive natural gas expansion. Also, a comment was made that the OEB should advise the government that the Fair Hydro Plan is important to Sioux Lookout Hydro's customers and recommend that it continue going forward. The suggestion to consider the effects of a longer, colder winter on northern consumers was also made.
- Profit – Questions regarding the amount that Sioux Lookout Hydro pays to its shareholder each year. Also, a comment was made that instead of paying profits directly to the municipality to use as part of its budget, a reserve fund could be established to deal with the impacts of climate change.
- Service Quality and Bill Impacts – Comments were made that Sioux Lookout Hydro provides good service to its customers. However, the overall electricity bill is too high. Further, high rates are unfair and the timing of Sioux Lookout Hydro's application is opportunistic in the context of the Fair Hydro Plan. The people of Sioux Lookout pay more than their fair share of the overall costs of the electricity system and while the Fair Hydro Plan helps, additional rebates should be granted.

**SCHEDULE A**  
**ONTARIO ENERGY BOARD PRESENTATION**  
**SIOUX LOOKOUT HYDRO INC.**  
**EB-2017-0073**  
**NOVEMBER 14, 2017**



# Getting Involved In OEB's Review of Sioux Lookout Hydro's Rate Application

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OEB Community Meeting

November 7, 2017



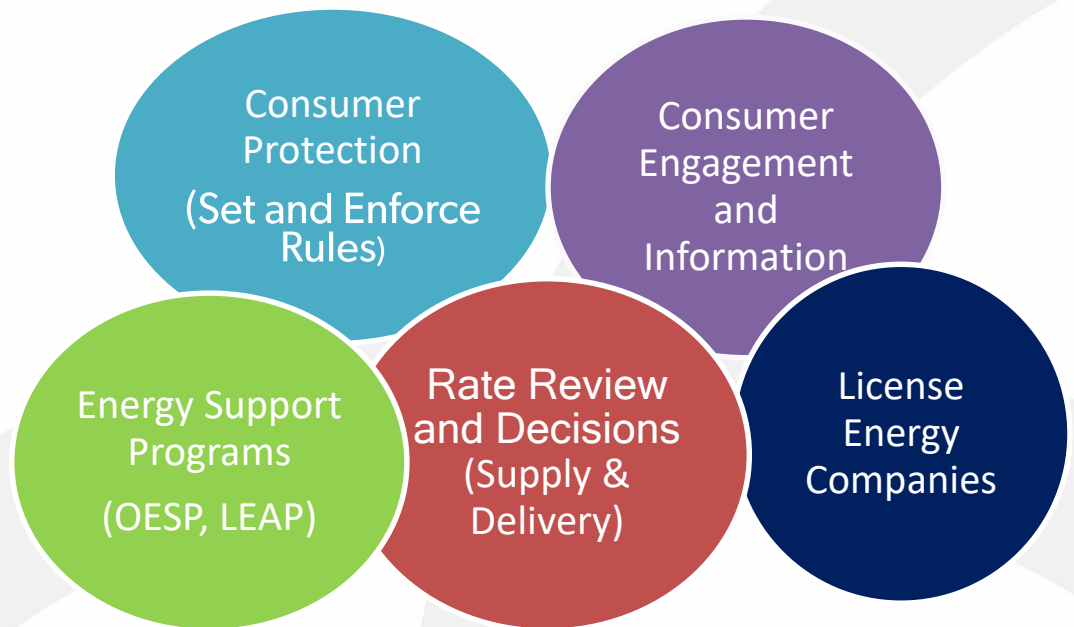
# Every Voice Matters

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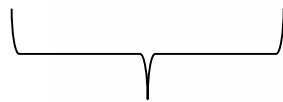
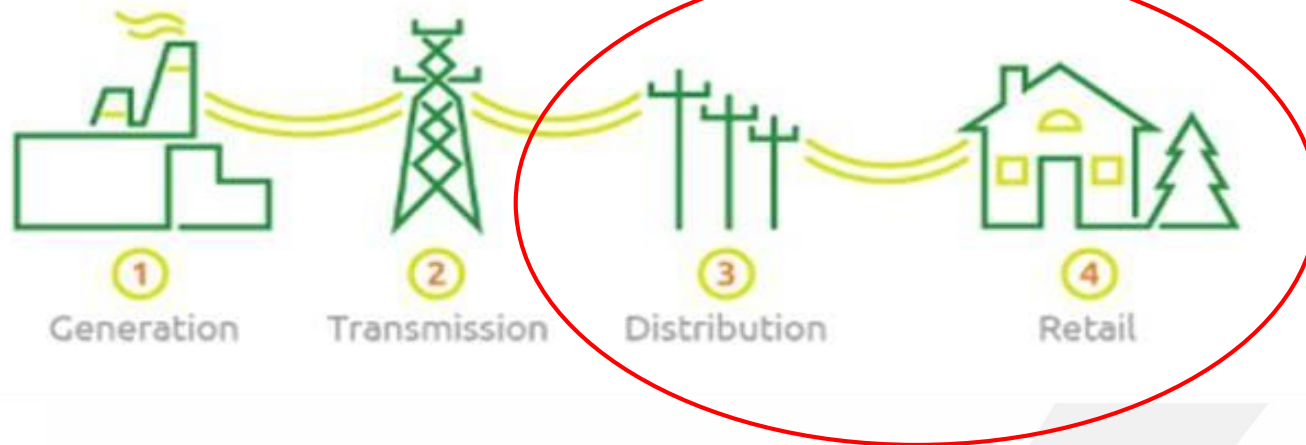
- The OEB wants to hear from you to ensure we take your concerns into account as we make a decision about this application.
- OEB Community Meetings are held to give you an opportunity to:
  - Learn more about your utility's costs and rate application
  - Find out how to get involved in the OEB's process
  - Provide your comments to us about your utility's application.

# OEB – Regulating Ontario's Energy Sector

- **The OEB is Ontario's independent energy regulator.** We work to ensure a sustainable, reliable energy sector that helps consumers get value from their natural gas and electricity services – for today and tomorrow.



# Reviewing Distribution Rates



Commodity



Delivery

# Ontario's Fair Hydro Plan

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- The *Fair Hydro Act, 2017* came into effect on June 1, 2017.
- This Act, together with proposed new regulations, will enable the government to move forward with initiatives that it has stated will:
  - Lower electricity bills by 25% on average for all residential customers and hundreds of small business and farms
  - Hold increases to the rate of inflation for four years
  - Provide additional electricity bill relief for:
    - residential customers in rural and remote areas
    - on-reserve First Nations residential customers
  - Fund electricity-related programs such as OESP through taxes

# Delivering Value – Ensuring Reliability

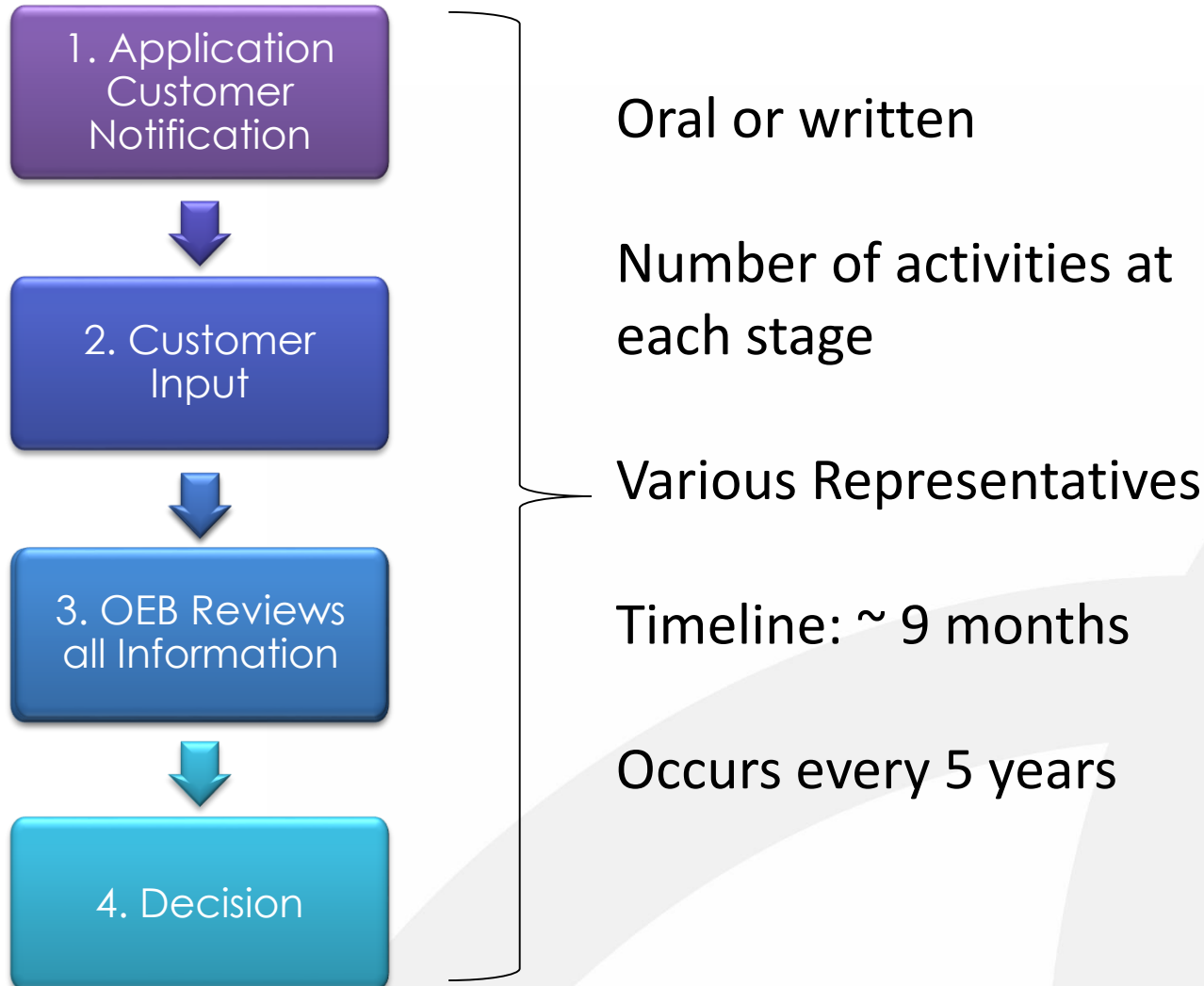
The OEB's job is to align various objectives to ensure reliability



Prices, reliability  
and quality of  
service

Financially viable  
energy sector

# Be Heard in the OEB's Process



# Be Heard in the OEB's Process



# What Can You Do?

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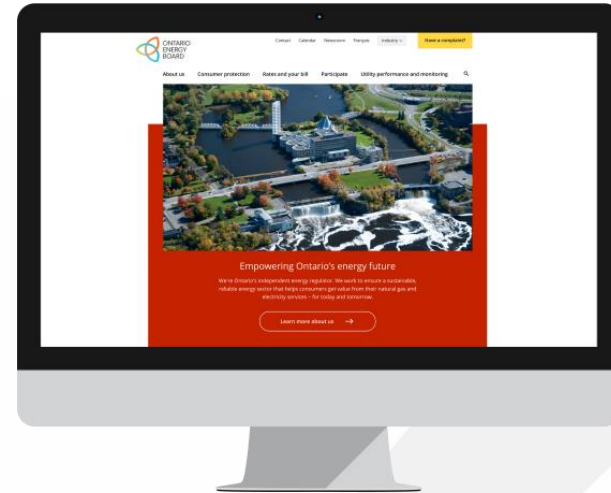
- OEB wants to hear from you. We encourage you to:
  - Ask questions
  - Provide comments (via post or email)
  - Follow the proceeding
- Your voice helps the OEB do our job:

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



# Your Voice Matters – Thank You

Visit our  
website



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



**[www.oeb.ca](http://www.oeb.ca)**



**Twitter: @OntEnergyBoard**



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

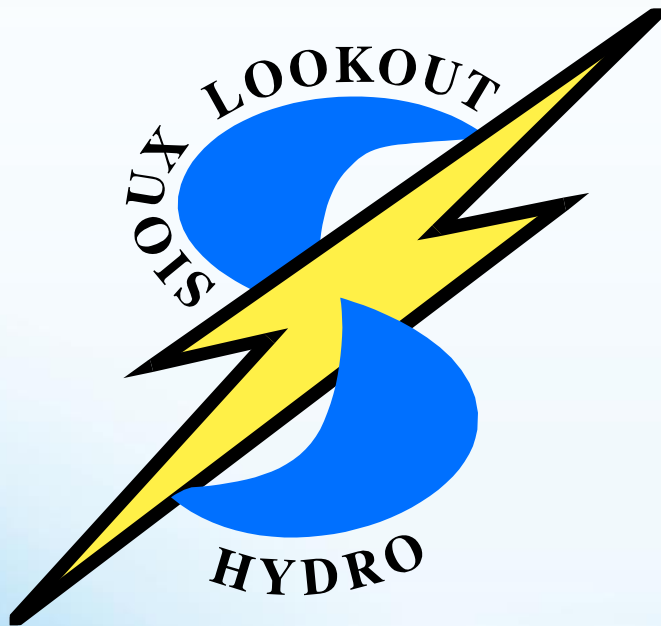
**SCHEDULE B**

**SIOUX LOOKOUT HYDRO INC. PRESENTATION**

**SIOUX LOOKOUT HYDRO INC.**

**EB-2017-0073**

**NOVEMBER 14, 2017**



# **Sioux Lookout Hydro Inc.**

**OEB Community Meeting**

**Heritage Railway Station**

**November 7, 2017**

# Who We Are

- ❖ Sioux Lookout Hydro employs 8 staff, serving over 2,800 customers in a service territory of 539 sq. km.
- ❖ We deliver electricity to the Municipality of Sioux Lookout extending from the West beginning at Pickerel Arm Camps North East to Alcona and including Hudson.

## Mission Statement

Sioux Lookout Hydro Inc. is committed to:

- Ensure that health and safety to employees and the public is priority;
- Supply safe and reliable electricity to residents and businesses in the Municipality of Sioux Lookout;
- Provide superior customer service; and
- Provide value to our shareholder, the Municipality of Sioux Lookout.

# Governance and Corporate Structure

- ❖ Sioux Lookout Hydro is wholly owned by the Municipality of Sioux Lookout
- ❖ An independent corporation governed by a Board of Directors comprised of 4 independents and 1 municipal councillor

# Background

## Sioux Lookout Hydro:

- ❖ Owns and maintains the distribution system that supplies our customers with electricity.
- ❖ Is a low density distributor with only 5 customers per square kilometer.
- ❖ Distribution system is comprised mainly of poles, wires and transformers.
- ❖ Has a pole to customer ratio of almost 1:1.
- ❖ Is funded by the distribution rates paid by its customers
- ❖ Required to apply to the Ontario Energy Board for our rates and must submit evidence to justify the amount of funding required to operate
- ❖ Gathers and considers input from customers as well as condition of assets to prioritize spending

# Rate-Setting Process

- ❖ Sioux Lookout Hydro's last Cost of Service (COS) application resulted in rates effective September 1, 2013
- ❖ Between COS applications, marginal increases to distribution rates were approved based on inflation and less an adjustment designed to promote efficiency
- ❖ 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 the greatest in the first year (2018) and lower in the subsequent years (2019-2022)

# Request to the Ontario Energy Board

- ❖ An increase of \$112,317 over current approved distribution revenue totalling \$2,054,958
- ❖ An Increase of 6% over current revenue collected
- ❖ Effective May 1, 2018



# The Ask

<b>RESIDENTIAL</b>				
Based on 750 kWh per month				
	Current	Proposed	Change \$	%
Sioux Lookout Hydro Distribution	40.06	45.82	5.76	14.38%
<b>Less Distribution Rate Protection Credit</b>	<b>-3.63</b>	<b>-9.27</b>	<b>-5.64</b>	
<b>Total Sioux Lookout Hydro Distribution</b>	<b>36.43</b>	<b>36.55</b>	<b>0.12</b>	<b>0.33%</b>
Other Charges	79.80	80.45	0.65	0.81%
Total Bill (before Taxes)	116.23	117.00	0.77	0.66%
HST	15.11	15.21	0.10	
Less 8% Provincial Rebate	-9.30	-9.36	-0.06	0.66%
<b>Total Bill</b>	<b>122.04</b>	<b>122.85</b>	<b>0.81</b>	<b>0.66%</b>

# The Ask

## General Service less than 50 kW (Small Businesses)

Based on 2,000 kWh per month

	Current	Proposed	Change \$	%
<b>Sioux Lookout Hydro Distribution</b>	<b>59.95</b>	<b>67.62</b>	<b>7.67</b>	<b>12.79%</b>
Other Charges	221.24	220.74	-0.50	-0.23%
Total Bill (before Taxes)	281.19	288.36	7.17	2.55%
HST	36.55	37.49	0.93	
Less 8% Provincial Rebate	-22.50	-23.07	-0.57	2.55%
<b>Total Bill</b>	<b>295.25</b>	<b>302.78</b>	<b>7.53</b>	<b>2.55%</b>

# Customer Input

- ❖ Two customer satisfaction surveys conducted in 2014 and 2016

- ❖ 2014

- ❖ 89.5% satisfied overall

- ❖ Price and system reliability the main concerns

- ❖ 2016

- ❖ 83.0% satisfied overall

- ❖ Price and system reliability still the main concerns

# Customer Input

## Investment and Bill Impact Survey in August 2017

Investment in Capital	Operating Budget	Distribution Rates
<b>51%</b> Thought Sioux Lookout Hydro should lower their investment in renewing aging infrastructure to lessen bill impact	<b>54%</b> Said the proposed operating budget was not reasonable.	<b>47%</b> Felt the increase was unreasonable
<b>37%</b> Thought Sioux Lookout Hydro should invest what it needs	<b>28%</b> said the proposed operating budget was reasonable	<b>28%</b> Didn't like the increase but felt it was necessary <b>12%</b> Said the increase in distribution rates was reasonable
<b>11%</b> Didn't know	<b>18%</b> Didn't know	<b>12%</b> Didn't know

# Results of Customer Input

- ❖ Cost and reliability were the main issues for our customers
- ❖ Specific questions relating to investment in new technology were not well received in customer satisfaction surveys
- ❖ Application attempts to balance customers desire for lower rates with the need to make responsible investments to ensure health of electricity system in the long term

# The need for Rate Increases

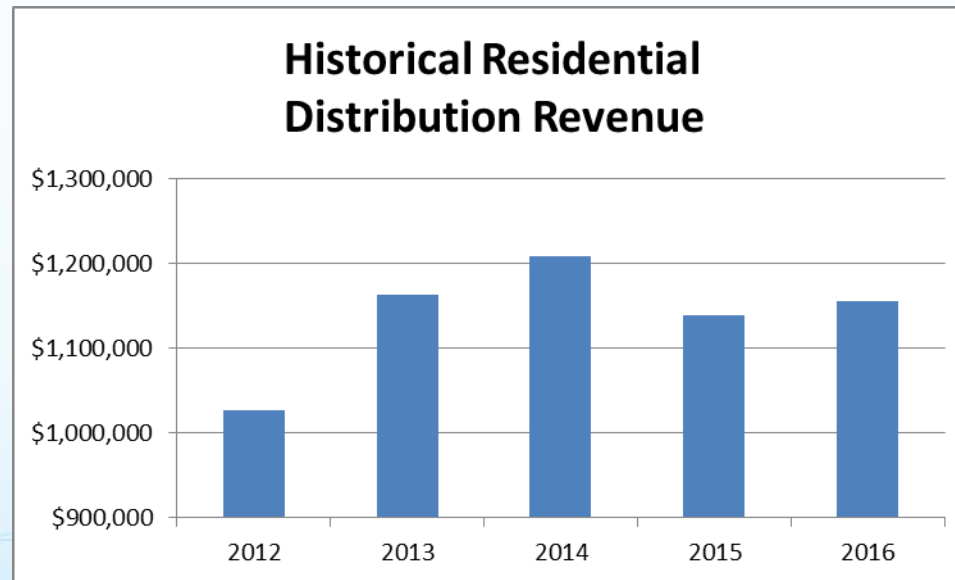
- ❖ Sioux Lookout Hydro needs these increases to pay for:
- ❖ Past and future investments in end-of-life infrastructure and equipment such as:
  - System Renewal project (i.e. pole replacements) - \$155,000 or \$9,000 of the revenue requirement
  - Line (Digger Derrick) truck replacement - \$355,000 or \$20,000 of the revenue requirement.
- ❖ Increases in Administration expenses in order to respond to public policy direction and regulatory requirements - \$40,000
- ❖ Inflationary increases over the amount approved by the OEB from 2014 to 2017.

# The Risks

## ❖ Without this increase, we face:

- Not properly being able to reinvest into the electricity distribution system leading to increased power outages due to aging infrastructure
- Higher vehicle maintenance costs and vehicle rental fees due to a critical vehicle not in service (Digger Derrick truck)
- Failure to fully recover increased regulatory costs means we will need to take away needed operations, maintenance and customer service activities

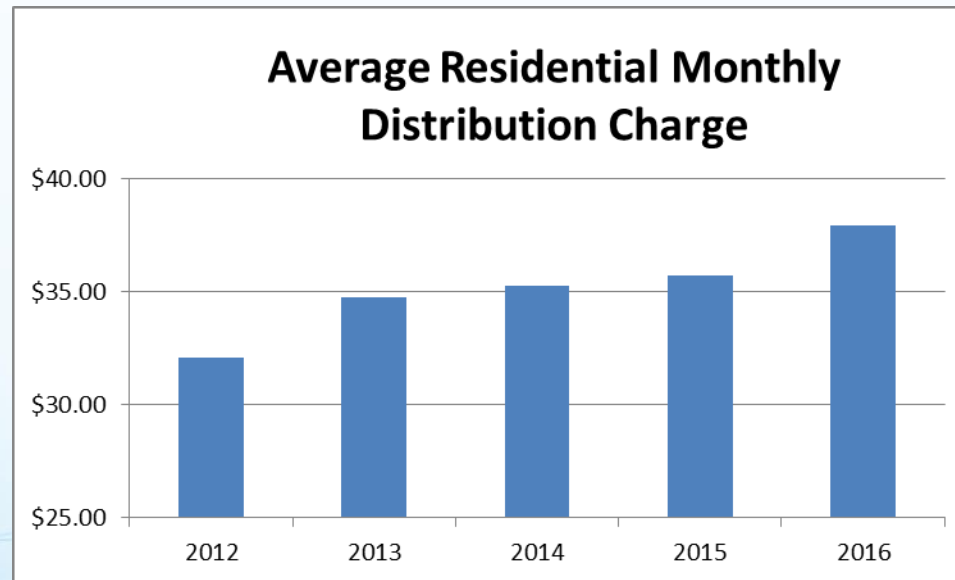
# Historical Residential Distribution Revenue



**3.23% average increase per year**



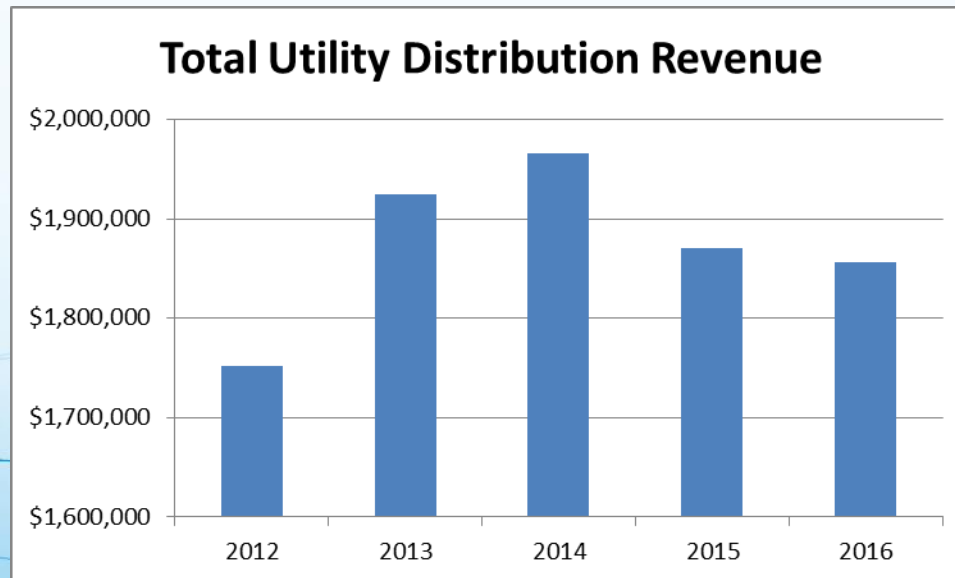
# Historical Residential Distribution Charges



**4.32% average increase per year**

# Total Utility Distribution Revenue

- ❖ \$9.4M total Distribution Revenue over the last 5 years
- ❖ 5.96% increase from 2012 to 2016



# Scorecard Highlights

- ❖ All OEB Service Quality Measures have consistently exceeded current industry standards
- ❖ Customer satisfaction score is more than 80%
- ❖ Fully compliant with the ESA Safety requirements and zero public safety incidents in the last 6 years.
- ❖ System reliability remains stable, with fluctuations mostly due to weather related outages

# Reporting on Progress

❖ How Sioux Lookout Hydro keeps customers updated:

- ✓ Website – [www.siuoxlookouthydro.com](http://www.siuoxlookouthydro.com)
- ✓ Facebook
- ✓ Annual General Meeting
- ✓ Bill messaging

# For More Information

Sioux Lookout Hydro's 2016 Scorecard  
and additional information available at:

[www.siouxlookouthydro.com](http://www.siouxlookouthydro.com)

2018 Distribution Rate Application  
available at:

[www.oeb.ca/notice](http://www.oeb.ca/notice)

Email questions/comments to:

Deanne Kulchyski,  
President/CEO

[dkulchyski@tbaytel.net](mailto:dkulchyski@tbaytel.net)

