

**Ontario Energy
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**Commission de l'énergie
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BY E-MAIL

March 8, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Westario Power Inc. (Westario Power)
2018 Distribution Rate Application
Community Meeting Report
OEB File No.: EB-2017-0084**

Please find attached the OEB staff community meeting report in the above noted proceeding.

Yours truly,

Original Signed By

Andrew Frank
Project Advisor – Major Applications

Attach.



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

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2017-0084

Westario Power Inc.

Application for 2018 Rates

March 8, 2018

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1 INTRODUCTION

Westario Power Inc. (Westario Power) filed a completed cost of service application with the Ontario Energy Board (OEB) on November 22, 2017 seeking approval for changes to the rates that Westario Power charges for electricity distribution, to be effective January 1, 2018. For a typical residential customer the proposed increase is \$2.78 per month.

A Notice of Hearing was issued on December 21, 2017.

Further to the Notice of Hearing, the OEB hosted a community meeting on January 24, 2018 in Walkerton, Ontario regarding Westario Power's 2018 application.

This is an OEB staff report summarizing the outcomes of this community meeting. This report will be placed on the public record 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 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 Westario Power 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 Westario Power's presentation is attached to this report as Schedule B.

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

Following the presentations, customers have the opportunity to ask questions of OEB staff and the utility about the application and the regulatory process. The issues raised by customers in the community meetings are documented and assist 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) by filling in a hard copy comment form, which is then submitted to the OEB by OEB staff.

3 SUMMARY OF THE MEETING

The OEB's community meeting for Westario Power was held at the Royal Canadian Legion in Walkerton, Ontario on January 24, 2018 from 7:00 p.m. to 9:00 p.m. Approximately 25 customers attended the meeting to hear presentations from OEB staff and Westario Power. OEB staff and Westario Power staff were available to speak with attendees before the meeting began. OEB and Westario Power representatives responded to questions from attendees following the presentations.

The following OEB staff and Westario Power representatives attended the meeting:

OEB Staff

James Sidlofsky, Counsel, Legal Services
Lynn Ramsay, Senior Advisor, Community Relations and Outreach
Tara Brautigam, Senior Advisor, Consumer and Corporate Communications
Adele Margis, Project Coordinator, Office of the Registrar
Andrew Frank, Project Advisor, Major Applications

Westario Power

Malcolm McCallum, VP of Finance & CFO
David Leonce, Vice President of Operations
Tracey Vanness, Board Secretary, Human Resources, EA
Bill Lorentz, Manager of Customer Service
Ethan Kittel, Accounting Supervisor
Chris Simpson, Line Supervisor
Sheraz Mustafa, Planning & Design Coordinator
Carl Clarke, Line Superintendent
Paul McGinn, Energy Conservation Officer

The OEB and Westario Power presented at the meeting.

A representative from the United Way Grey Bruce spoke about the programs available to consumers to help save on energy costs, how to access them and, if needed, who could provide assistance with the application process.

Meeting participants were interested in how the service area of Westario Power was established, what options exist for amendments, and how the elimination of load transfer agreements related to any amendments. Consumers asked about time of use prices, rate class structure, and whether these were the same for Westario Power and Hydro One. Several customers questioned the promotion of conservation and demand

management programs and the impact of the residential rate design policy on the incentive for conservation.

Specific Concerns Raised

- Rates Changes – Whether the application included any other rate increases, such as specific service charges, in addition to increases in base rates.
- Impacted Customers – Clarification was sought on whether the rate application applied to only residential customer rates or to commercial customers as well.
- Rate Impact – Questions regarding the percentage rate increase when calculated over five years, and the percentage increase in the distribution portion of the bill rather than total bill.
- Effective Date – A concern was raised that since the effective date has already passed, rates could increase for the period prior to the approval of the application.
- Line Losses – Clarification was requested regarding how line losses came about; how they were calculated; and whether they were applied to all customers equally.

SCHEDULE A
ONTARIO ENERGY BOARD PRESENTATION
WESTARIO POWER INC.
EB-2017-0084
MARCH 8, 2018



Getting Involved in OEB's Review of Westario Power's Rate Application

OEB Community Meeting

January 24, 2018

Every Voice Matters

- 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.



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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.



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Reviewing Distribution Rates



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Ontario's Fair Hydro Plan

- 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



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Delivering Value – Ensuring Reliability

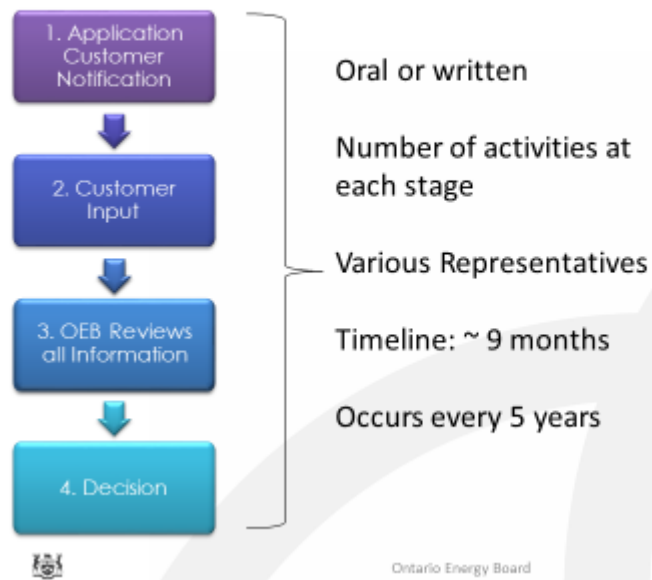
The OEB's job is to align various objectives to ensure reliability



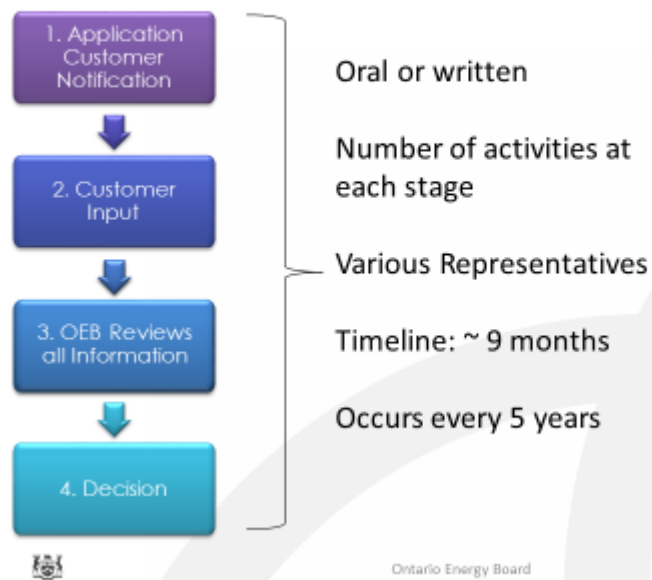
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Be Heard in the OEB's Process



Be Heard in the OEB's Process



What Can You Do?

- 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*



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Your Voice Matters – Thank You

Visit our
website



416-314-2455
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www.oeb.ca



Twitter: @OntEnergyBoard



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SCHEDULE B
WESTARIO POWER INC. PRESENTATION
WESTARIO POWER INC.
EB-2017-0084
MARCH 8, 2018

Westario Power Inc.

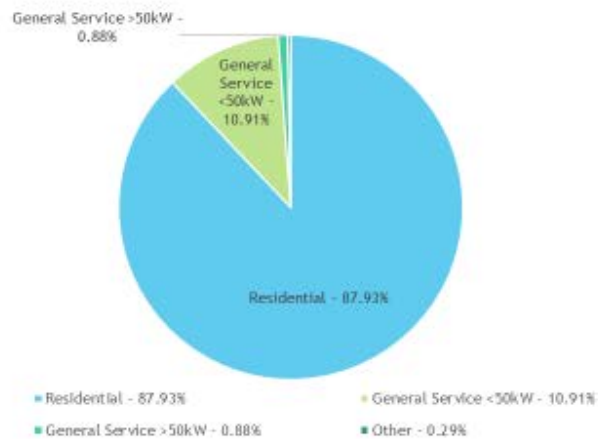
2018 Cost of Service Application Presentation

Westario Service Area

- ▶ Clifford
- ▶ Elmwood
- ▶ Hanover
- ▶ Harriston
- ▶ Kincardine
- ▶ Lucknow
- ▶ Mildmay
- ▶ Neustadt
- ▶ Palmerston
- ▶ Port Elgin
- ▶ Ripley
- ▶ Southampton
- ▶ Teeswater
- ▶ Walkerton
- ▶ Wingham



Westario Customer Base



- 2018 Projected Customer Base = 23,639
- Other category includes Unmetered Scattered Load, Sentinel Light, and Street Light Customers
- Load provided by Hydro One

Westario Ownership

- ▶ WPI is 90% owned by the local communities and municipalities that it serves
- ▶ Over the past 3 years WPI has invested \$1,935,000 in the local communities and municipalities that it serves in the form of dividends

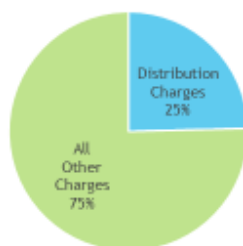
Proposed Bill Impacts

Rate Class	Units	Usage	WPI Distribution Revenue Increases from 2017 Rates		WPI Total Bill Increases from 2017 Rates	
			\$	%	\$	%
Residential*	kWh	750	\$2.78	10.59%	\$6.03	5.39%
GS < 50kW	kWh	2047	\$5.12	10.60%	\$13.43	4.61%
GS > 50kW	kW	175	\$118.66	19.33%	\$538.41	6.53%
USL	kWh	405	\$1.74	10.85%	\$4.19	6.44%
Sentinel Lighting	kW	0.28	\$3.36	19.15%	\$4.52	10.10%
Street Lighting	kW	50.48	-\$690.07	-18.99%	-\$617.67	-10.45%

* Of Westario's approximately 20,000 residential customers the average monthly consumption per year is 744kWh. Residential customers make up approximately 88% of Westario Power's customer base.

Residential Bill Impact Analysis

Bill Breakdown



■ Distribution Charges ■ All Other Charges

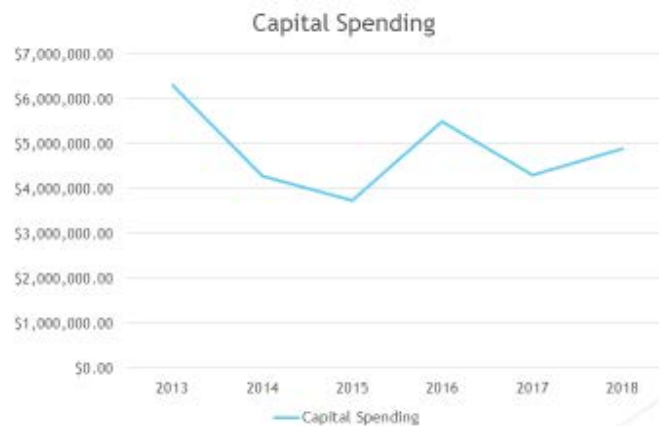
Bill Line Items	2017	2018	\$ Change
Monthly Service Charge	\$20.06	\$24.41	\$4.35
Distribution Volumetric Rate	\$6.15	\$4.58	-\$1.58
Total Distribution Charges	\$26.21	\$28.99	\$2.78
Delivery Charges ^{1*}	\$15.27	\$18.23	\$2.96
Regulatory Charges ^{2*}	\$3.38	\$3.38	-
Cost of Energy Charges ^{3*}	\$61.62	\$61.62	-
HST	\$5.32	\$5.61	\$0.29
Total Bill on TOU	\$111.80	\$117.83	\$6.03

1. Includes the costs of delivering electricity from generating stations across the province to Westario
2. Includes the costs of administering the wholesale electricity system and maintaining reliability of the provincial grid
3. Cost of electricity supplied to you during the billing period

* These charges are collected by Westario and paid to our suppliers

Capital Spending

	2013	2014	2015	2016	2017	2018	6 Year Avg.
Total Capital Expenditure	\$6,897,841	\$4,327,200	\$3,865,698	\$5,385,500	\$4,309,446	\$4,891,244	\$4,946,155



Capital Plan - 2018 Major Projects

- ▶ Service Connection- Allow system expansion to connect new customers. **\$643K**
- ▶ Transformer Replacement - **\$307K**
- ▶ Poletran - Replace aged poletrains which no longer meet operational codes due to electrical clearance requirements. **\$463K**
- ▶ Substation Upgrade - Upgrade Hanover substation that is currently at high load and high risk of failure. **\$1.31M**
- ▶ #6 Copper Replacement - Replace #6 copper wire to eliminate potential safety and reliability risk. **\$371K**
- ▶ Decrepit Pole Replacement - Replace 100 poles and transformers that are at high risk of failure. **\$780K**
- ▶ Vehicle Replacement - Replace 2005 bucket truck, 1999 dump truck, and 2 2008 pick-up trucks that are at the end of their useful lives. **\$500K**
- ▶ Technology upgrades, Tools and office equipment- **\$135K**
- ▶ System Monitoring Upgrades - **\$382K**

Operational Costs

	2013 OEB Approved	2016	2017	2018
Operations and Maintenance	\$2,738,000	\$2,111,080	\$1,980,836	\$1,967,533
Billing and Collecting	\$1,191,000	\$1,043,796	\$1,130,000	\$1,202,000
Community Relations	\$46,000	\$29,681	\$30,000	\$31,000
General and Administrative	\$2,194,200	\$2,547,440	\$2,561,000	\$2,760,500
Property Tax	\$33,000	\$34,097	\$35,000	\$35,000
Total	\$6,202,200	\$5,766,094	\$5,736,836	\$5,996,033



Major Drivers of Operating Costs

- ▶ **Operations and Maintenance**
 - ▶ Costs are determined by the amount of inspections and repairs required to be performed on the Distribution System.
 - ▶ Inspections are planned in order to address the most critical parts of the system.
- ▶ **Billing and Collecting**
 - ▶ Costs associated with generating and mailing bills and collections notices.
 - ▶ Costs include billing and collecting clerks wages, postage, stationary, bad debts, and collections charges.
- ▶ **Community Relations**
 - ▶ Community Safety programs, sponsorships of local clubs and events, customer informational expenses.
- ▶ **General and Administrative**
 - ▶ Costs include; Insurance, regulatory costs, maintenance and utilities of facilities, consultant costs, IT costs, office supplies and expenses, wages and salaries of management and administrative staff.

OEB Benchmarking

The OEB benchmarking model determines the cost efficiency of distributors based on econometrics. The model factors in conditions such as the number of customers served, delivery volume, km's of circuit, and peak demand to determine the predicted costs of running the utility for a year.

Year	Actual/Projected Costs	OEB Predicted Costs	\$ Difference	% Difference	OEB PEG Score
2015	12,627,249	13,407,371	-\$780,122	-6.0%	3
2016	12,861,750	13,175,951	-\$314,201	-2.4%	3
2017	13,052,326	13,807,117	-\$754,791	-5.6%	3
2018	13,605,815	14,407,521	-\$801,707	-5.7%	3

- Utilities are assigned an efficiency grouping between 1 and 5. 5 being the least efficient grouping.

Reasons for Rate Increase

- ▶ The distribution system is aging and a long term proactive replacement plan is necessary in order to reduce the risk of more frequent major repairs and the greater costs associated with them.
- ▶ The system requires more frequent inspections and maintenance in order to reduce the risk of chronic outages and outages of longer duration.
- ▶ Parts of the distribution system are obsolete and have a greater risk of critical failure potentially causing unsafe conditions.

Reasons for Rate Increase

- ▶ The distribution system is aging and a long term proactive replacement plan is necessary in order to reduce the risk of more frequent major repairs and the greater costs associated with them.
- ▶ The system requires more frequent inspections and maintenance in order to reduce the risk of chronic outages and outages of longer duration.
- ▶ Parts of the distribution system are obsolete and have a greater risk of critical failure potentially causing unsafe conditions.

2017 Fair Hydro Plan Impact

Bill Line Items	2017 Bill Without Fair Hydro Plan	2017 Bill With Fair Hydro Plan	\$ Change
Monthly Service Charge	\$20.06	\$20.06	\$-
Distribution Volumetric Rate	\$6.15	\$6.15	\$-
Total Distribution Charges	\$26.21	\$26.21	\$-
Delivery Charges	\$16.07	\$15.27	-\$0.80
Regulatory Charges	\$4.82	\$3.38	-\$1.44
Cost of Energy Charges	\$73.14	\$61.62	-\$11.52
HST	\$15.63	\$5.32	-\$10.31
Total Bill on TOU	\$135.87	\$111.80	-\$24.07

* Numbers reflect final Fair Hydro Plan adjustment for July 1, 2017 for a 750kWh TOU residential customer

Fair Hydro Plan - Your Bill

Bill of a 750kWh Residential TOU Customer

2017 Bill Before Fair Hydro Plan	2017 Bill After Fair Hydro Plan	2018 Bill
\$135.87	\$111.80	\$117.83

How to Reach Westario

- ▶ E-mail: customerservice@westario.com
- ▶ Mail: 24 Eastridge Road, RR#2 - Walkerton, Ontario - N0G 2V0
- ▶ Phone: 519-507-6937
- ▶ Toll Free: 1-866-978-2746
- ▶ Fax: 519-507-6887
- ▶ www.westario.com
- ▶ Follow us on Twitter @Westario
- ▶ Like us on Facebook

Any Questions?

Thank you for attending!

