



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

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2017-0071

PUC Distribution Inc.

Application for 2018 Rates

July 17, 2018

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1 INTRODUCTION

PUC Distribution Inc. (PUC Distribution) filed a complete cost of service application with the Ontario Energy Board (OEB) on April 2, 2018 seeking approval to increase the rates that PUC Distribution charges for electricity distribution, effective May 1, 2018. For a typical residential customer the proposed increase is \$6.98 per month.

A Notice of Hearing was issued on May 9, 2017.

Further to the Notice of Hearing, the OEB held a community meeting on June 19, 2018 in Sault Ste. Marie, Ontario regarding PUC Distribution's 2018 application.

This is an OEB staff report summarizing the outcomes of the OEB community meeting. This report will be placed on the public record of this application along with copies of any written presentations made at this meeting. This report includes a summary of comments, questions and concerns raised by customers who attended. 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 an OEB 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 PUC Distribution 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.

OEB 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.

OEB 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 PUC Distribution'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 about the regulatory process and the utility about its application. The issues raised by customers in the OEB 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 OEB community meeting are summarized in this report with no attribution.

In addition to providing verbal comments to OEB staff, customers attending OEB community meetings may express their concerns directly to the OEB by providing individual comments (with attribution) online, or by filling in a hard copy comment form, which is then submitted to the panel of Board members who will be deciding whether the application is approved.

3 SUMMARY OF THE MEETING

The OEB's community meeting for PUC Distribution was held at the Royal Canadian Legion in Sault Ste. Marie, Ontario on June 19, 2018 from 6:30 p.m. to 8:30 p.m. Approximately 25 customers attended the meeting to hear presentations from OEB staff and PUC Distribution. OEB and PUC Distribution staff were available to speak with attendees before the meeting began. OEB and PUC Distribution representatives responded to questions from attendees following the presentations.

The following OEB staff and PUC Distribution representatives attended the meeting:

OEB Staff

Theodore Antonopoulos, VP (A) Applications
Ljuba Djurdjevic, Counsel, Legal Services
Andrew Frank, Project Advisor, Major Applications
Liam Lonergan, Supervisor, Public Information
Lynn Ramsay, Senior Advisor, Community Relations and Outreach

PUC Distribution

Rob Brewer, President & CEO
Terry Greco, VP Finance & Corporate Support
Kevin Bell, VP Customer Engagement & Business Development
Andrew Belsito, Financial & Regulatory Analyst
Mark Faught, Manager Finance
Giordan Zin, Supervisor Customer Engagement

The OEB and PUC Distribution presented at the meeting.

Meeting participants asked questions about various topics, including the OEB's independence from government, the impact of time of use rates, commodity prices, the increased fixed portion of the distribution charge on their bill, the cost of exporting excess power at a loss, and Hydro One Chief Executive Officer's compensation. Some questions were asked regarding PUC's affiliated non-electric utilities.

Specific Concerns Raised

- Rate Impact – Concerns were raised regarding the impact of an increase on consumers already struggling to pay their bills, particularly those on fixed pension income.
- Bill Impact – Customers were interested in the underlying assumptions made in bill impact calculations around time of use rates.
- Bill Impact – Customers were unclear as to the actual rate increase requested by PUC Distribution, and the difference between the increase in distribution rates and the increase in total bill.
- Residential Rate Design – Participants were unclear on the impact of the rate application on customers who consume less than 750 kWh per month. Some were concerned that the increasing fixed proportion of the bill had the effect of negating some benefits of their conservation efforts.
- Quality of Application – A customer commented that the quality of the analysis in the application should have been better. The customer presented as an example, PUC Distribution's regression analysis in the load forecasting section of the application.
- Shareholder Engagement – A customer observed that not a single city counselor attended the OEB's meeting for the municipally-owned utility.
- Effective Date – A concern was raised that since the effective date (May 1, 2018) has already passed, rates could increase for the period prior to the approval of the application.

SCHEDULE A
ONTARIO ENERGY BOARD PRESENTATION
PUC DISTRIBUTION INC.
EB-2017-0071
JUNE 19, 2018



Getting Involved OEB Review of PUC Rate Application

OEB Community Meeting
Sault Ste. Marie
June 19, 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.



Ontario Energy Board

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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

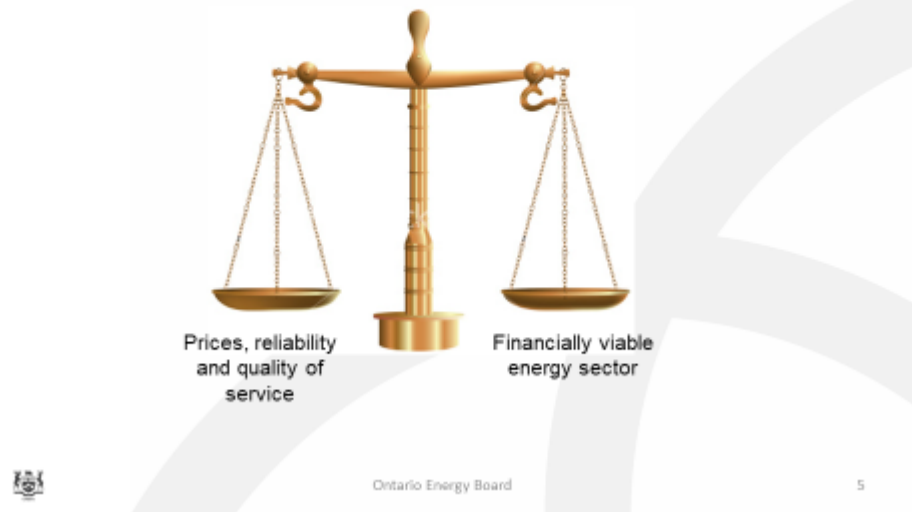


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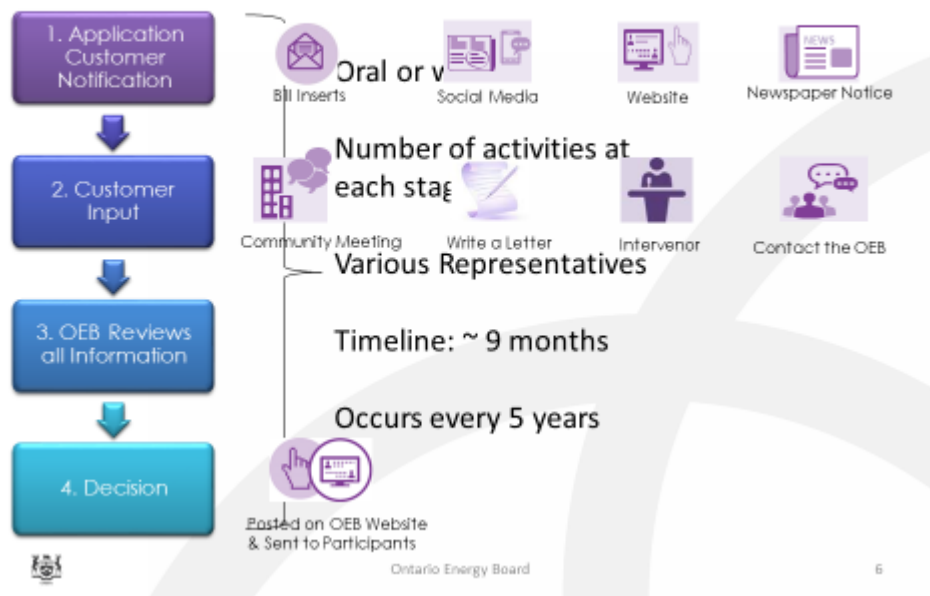
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Delivering Value – Ensuring Reliability

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



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

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SCHEDULE B
PUC DISTRIBUTION INC. PRESENTATION
PUC DISTRIBUTION INC.
EB-2017-0071
JUNE 19, 2018



PUC Distribution Inc.

OEB Community Meeting
Royal Canadian Legion
June 19, 2018



Who We Are



- Community Owned and Operated:
 - Shareholder is the Corporation of the City of Sault Ste. Marie
- Shared Services Model between Electric, Water and Waste Water Services:
 - Creates efficiencies and cost savings
- Core Values:
 - Responsive, Ownership, Safety, Innovative, Entrepreneurial



Who We Are cont'd



- **Mission:**

- To provide cost effective, efficient, safe and reliable delivery of high quality energy services and solutions consistent with customer needs and preferences.

- **Vision:**

- To be recognized as a progressive electric distribution company committed to delivering value, innovation, prosperity and excellence.



PUC Distribution At A Glance



33,600
RESIDENTIAL
& BUSINESS
CUSTOMERS



342 KM²
SERVICE
TERRITORY

2
TRANSMISSION
STATIONS



14
DISTRIBUTION
STATIONS

12,700
DISTRIBUTION
POLES



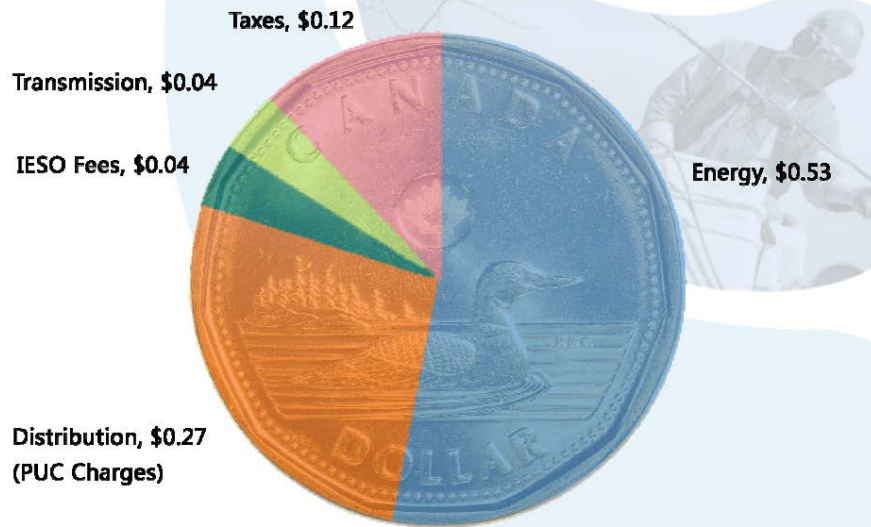
740 KM
OF LOCAL
DISTRIBUTION LINE





Understanding Your Bill

Where Your Money Went in 2017 – 750kWh Residential Customer



Request and Rate Impacts

(Average Provincial Customer Consumption)



Annualized Distribution Revenue Request:

- Increase of \$3.3M (17.5%)

Distribution Rate Impact:

- Residential Distribution (750 kwh customer)
 - Impact of \$6.98 or 28.39%
- Small Business Distribution (2000 kwh customer)
 - Impact of \$14.93 or 24.04%

Effective date will be determined when the application is approved by the OEB



Customer Input



- Two formal telephone Customer Satisfaction Surveys:
Participants
 - 2017** – 1,553 Households (401 Completed Interviews)
 - 2015** – 1,600 Households (403 Completed Interviews)
- To measure overall customer satisfaction, the utility's performance, public perception, and utilize as an engagement tool to collect quantitative data.
- Customers were also consulted about the willingness to pay an increase for expenses such as infrastructure, and operational items.



Customer Input



- Online Interactive Survey – Cost of Service
 - 2,004 Total Respondents (1,321 Completed Surveys)
 - Survey was developed to inform customers of the proposed rate increase associated with the 2018 Cost of Service application.
 - Survey provides a short overview of PUC operations, cost drivers, bill breakdown, and a variety of planned capital projects.



Results of Customer Input



- Our Customers:
 - Understand the need for rate increases to improve reliability through gradual infrastructure renewal.
 - Support the importance of keeping costs as low as possible without sacrificing system reliability.
 - Expect improved customer engagement to better understand the reasons behind the rate increase.
- PUC customer engagement is on-going and includes feedback gathered at this meeting.



Cost Drivers



Two Components of Our Cost Structure:

- Operations, Maintenance and Administration (OM&A)
 - Maintaining current infrastructure
 - Billing, customer service and other administrative functions
- Capital
 - Equipment replacement (poles, transformers, substations etc.)
 - Customer demand and joint projects with the Corporation of the City of Sault Ste. Marie



Cost Drivers – OM&A



OM&A accounts for \$2M of the \$3.3M increase broken out as follows:

- 21% = Additional Regulatory Requirements:
 - PCB chemical testing and replacement for overhead transformers to ensure they are all PCB-free by 2025
 - New meter reading requirements for large general service customers
 - Under frequency load shedding program which is designed to improve the reliability of the Provincial electricity grid
- 5% = Time of Use Billing System:
 - Including automated meter-reading software fees
- 10% = Rising Cost of Utilities:
 - Accounts for basic utilities for transmission and distribution stations, and the administrative building and service centre
- 7% = Bad Debts:
 - Rising cost of electricity and change in provincial regulation



Cost Drivers – OM&A cont'd



- 9% = Electricity Industry Regulation Cost Increases:
 - Annual Assessments
 - OEB fees
 - Rate Applications
 - Current Cost of Service Rate Application and annual Incentive Rate Mechanism applications
 - Customer Engagement
 - Community outreach and acquiring customer feedback
- 7% = Tree Trimming:
 - PUC has extended this program to a 4 year cycle to reduce costs annually but costs fluctuate based on the total area needing to be cleared
- 41% = Other Inflationary Cost Impacts:
 - Contracted services, insurance costs, employee wages, benefits, and fuel expenses



Total Historical OM&A Expenditure



Cost Drivers - Capital



Capital investments account for \$1.3M of the \$3.3M increase

- Investments in end of life infrastructure:
 - Replace aging poles and overhead lines
 - Replacing approximately 150 poles identified as being in poor or very poor condition
 - Replacing unreliable lines made with copper wire causing safety hazards
 - Replace underground cable, switches, concrete vaults and submersible transformers
 - Focus on neighbourhoods with high equipment failure rates while addressing aging infrastructure
 - Approximately 25% of underground cable is approaching the end of its service life



Cost Drivers – Capital cont'd



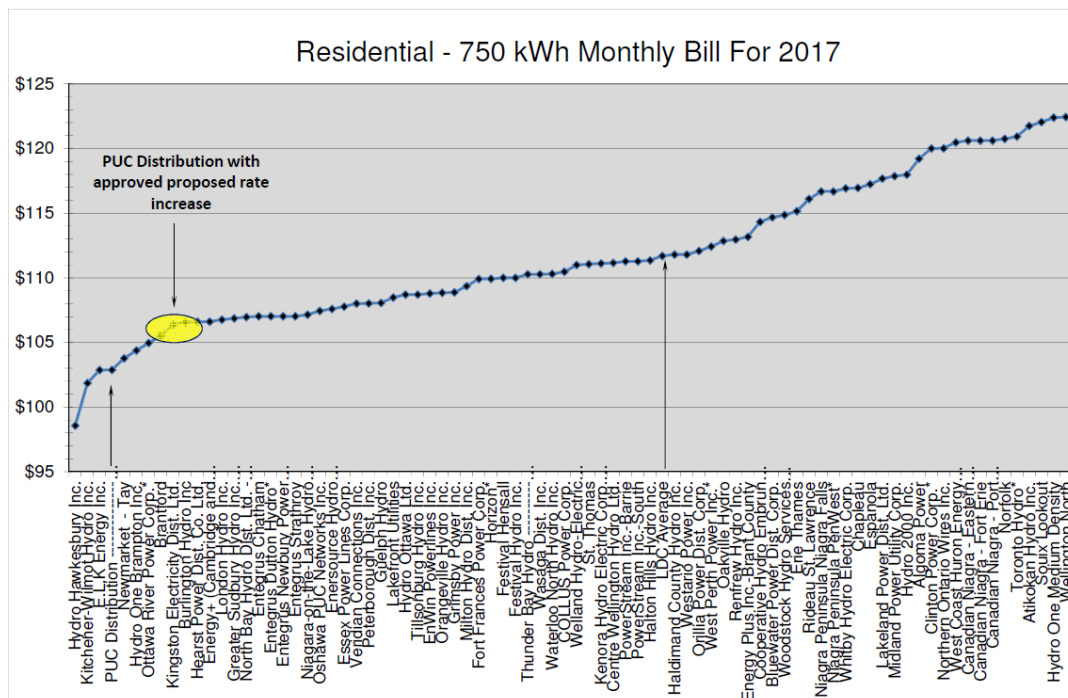
- Investments in end of life infrastructure:
 - Replacing substations and transformers
 - Substations supply neighbourhoods with power
 - Average service life of transformers is about 40 years
 - 66% of station transformers have been in service longer than 35 years
 - Replace 2 substations by 2022
 - Voltage conversion program
 - Substations convert electricity from 34,000 volts to 4,000 volts
 - This system is at or very near the end of its service life
 - Retire the 4,000 volt system by 2022 and replace with more efficient 12,000 volt system



Putting Context to our Rates



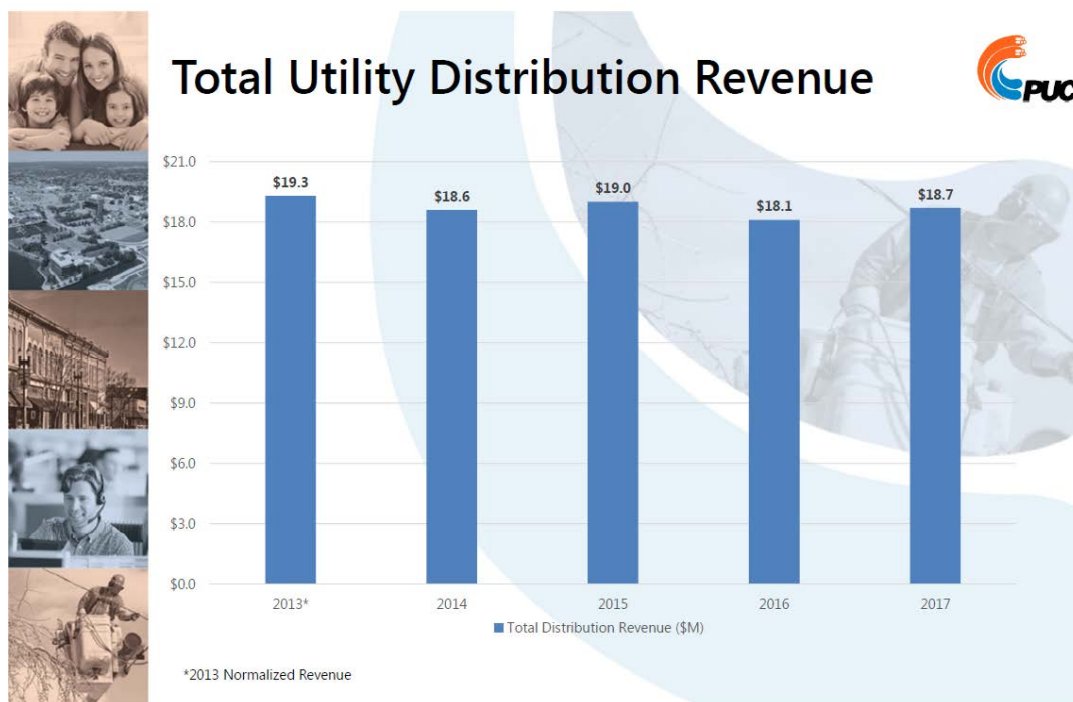
- PUC Distribution has amongst the lowest distribution rates in Ontario
- Returns from electricity distribution are reinvested in our community



The Risks

- By not properly reinvesting in and renewing infrastructure that is at the end of its life cycle, we face an aging distribution system that is increasingly prone to failure
- Failure to fully recover increased regulatory and other costs means we reduce our ability to cover items such as asset investment, operating and maintenance and customer service activities





Scorecard - PUC Distribution Inc.

8/1/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target	
									Industry	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	85.80%	86.50%	83.00%	97.20%	99.90%	↑	90.00%	
		Scheduled Appointments Met On Time	98.40%	97.10%	95.40%	97.45%	98.30%	↑	90.00%	
		Telephone Calls Answered On Time	74.60%	80.90%	81.90%	82.30%	81.30%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution			99.89%	99.92%	99.58%			
		Billing Accuracy			99.83%	99.36%	99.97%	↑	98.00%	
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Customer Satisfaction Survey Results			In progress	79%	80%			
		Level of Public Awareness				86.00%	86.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	C	C	C	C	↔		C
		Serious Electrical Incident Index	3	1	3	1	0	↓		1
	System Reliability	Rate per 10, 100, 1000 km of line	0.407	0.195	0.405	0.134	0.000	↓		0.151
		Average Number of Hours that Power to a Customer is Interrupted ²	1.65	1.42	1.19	1.37	1.49	↓		1.86
		Average Number of Times that Power to a Customer is Interrupted ²	2.17	1.78	1.21	1.03	1.41	↓		2.32
	Asset Management	Distribution System Plan Implementation Progress			In progress	In progress	In progress			
		Efficiency Assessment	3	4	4	4	4			
	Cost Control	Total Cost per Customer ³	\$615	\$687	\$664	\$699	\$695			
		Total Cost per Km of Line ³	\$27,623	\$30,950	\$20,886	\$31,377	\$31,314			
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				17.18%	52.97%			26.41 GWh
		Renewable Generation Connection Impact Assessments Completed On Time				0.00%	100.00%			
	Connection of Renewable Generation	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)	1.19	1.06	1.68	0.90	1.52			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.01	1.99	2.42	2.31	2.34			
		Profitability: Regulatory Return on Equity	8.57%	8.98%	8.98%	8.98%	8.98%			
		Deemed (included in rates)	4.99%	7.00%	5.47%	4.46%	0.98%			

1. Compliance with Ontario Regulation 22/04 (successful: 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 (next 5-year (2010 to 2014) average distribution-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 GCM measure is based on the new 2015-2020 Conservation First Framework.

Legend:

5-year trend: ↑ up ↓ down ↔ flat

Current year: ● target met ● target not met



Scorecard Highlights



- All OEB Service Quality Indicators have been consistently exceeded
- Fully compliant with ESA Safety requirements and Zero Serious Public Safety Incidents in the last 2 years
- Electricity Reliability (SAIDI and SAIFI) consistently exceeds annual target
- Return on Equity (ROE) is below the OEB prescribed target



Reporting on Progress



How PUC Distribution keeps customers updated:

- Website – www.ssmruc.com
- Facebook
- Twitter – @SSMPUC
- Information sessions and direct communications



For More Information



- PUC Distribution's Scorecard and additional information is available at: www.ssmruc.com
- 2018 Distribution Rate Application available at: www.oeb.ca/participate/applications/current-major-applications/eb-2017-0071
- Email questions/comments to: customer.care@ssmruc.com



Thank You