

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2018-0087

**Chapleau Public Utilities Corporation
Application for 2019 Rates**

February 22, 2019

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1 INTRODUCTION

Chapleau Public Utilities Corporation (Chapleau Public Utilities) filed a cost of service application with the Ontario Energy Board (OEB) on August 31, 2018 seeking approval for changes to the rates that Chapleau Public Utilities charges for electricity distribution, to be effective May 1, 2019. If approved as filed, the typical residential customer using 750 kWh per month would see an increase of \$1.96 per month or 5.7%, while a General Service < 50 kW customer using 2,000 kWh per month would see an increase of \$17.40 per month or 24.5%. The above noted residential customer bill continues to include the effect of the Distribution Rate Protection program.

Chapleau Public Utilities updated its application on November 26, 2018.

The OEB issued a Notice of Hearing on January 11, 2019. The notice included information about a community meeting scheduled on February 5, 2019 at the Royal Canadian Legion in Chapleau, Ontario. However, due to weather related issues, OEB staff was unable to attend the community meeting in person, and instead hosted a webinar from its main office in Toronto, Ontario. Customers of Chapleau Public Utilities attended the in-person meeting, while others participated remotely.

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 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 the 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 Chapleau Public Utilities 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 informs 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 Chapleau Public Utilities' 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 on the computers provided 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 OEB held an in-person meeting on February 5, 2019 from 6:30 p.m. to 7:40 p.m. and OEB staff conducted a webinar from the Toronto corporate offices of the OEB. Approximately six customers attended the in-person meeting; one participated by webinar, and four by teleconference to hear presentations from OEB staff and Chapleau Public Utilities. OEB and Chapleau Public Utilities representatives responded to questions from attendees following the presentations.

The following OEB staff and Chapleau Public Utilities representatives attended the meeting:

OEB Staff

Ljuba Djurdjevic, Counsel
Sylvia Kovesfalvi, Manager, Community Relations & Outreach
Lynn Ramsay, Senior Advisor, Community Relations & Outreach
Andrew Bodrug, Senior Advisor, Community Relations & Outreach
Mandy Usprech, Advisor, Community Relations & Outreach
Lillian Ing, Hearings Advisor

Chapleau Public Utilities

Alan Morin, General Manager
Jennifer Cyr, Manager of Finance
Kevin Lindquist, Chapleau Public Utilities Board Chair
Gerard Bernier, Chapleau Public Utilities Board Member
Andre Byham, Chapleau Public Utilities Board Member

The OEB and Chapleau Public Utilities presented at the meeting. There were no customer presentations at the meeting and one letter of comment was received.

Some of the primary concerns or comments raised at the meeting included:

- Information regarding the actual and expected work done on transformers and whether Chapleau Public Utilities had looked at efficiencies
- Concerns over system reliability and if emergency funds have been set aside for transformers, or if any plans had been put in place to deal with outages
- Information on Chapleau Public Utilities' net income for 2018 and previous years
- Clarification on whether depreciation is included in the calculation of net income

- Information on how the OEB's Conservation and Demand Management program affects Chapleau Public Utilities' operations

Other concerns or comments raised at the meeting included:

- Clarification regarding the basis and rationale for using 750 kWh per month for communicating bill impacts for a typical residential customer, compared to what the bill impact would be for a customer with higher consumption (i.e. is it the same bill impact for a customer using 750 kWh, versus a customer using 4,000 kWh)
- Clarification regarding the relationship between total bill and consumption and whether the customer bill increases by the same amount for each incremental kWh used
- Clarification regarding the variable versus fixed components of the delivery charge of the bill and the move to more of a fixed delivery charge, versus a variable delivery charge and how this relates to consumption (i.e. will the delivery charge be the same for a customer using 750 kWh, versus a customer using 4,000 kWh)
- Information on which electricity distributor services Goldcorp Inc. and RYAM Lumber and whether Chapleau Public Utilities had looked into the possibility of connecting these two companies when they first started operations
- Information on the Global Adjustment charge

4 COMMUNICATIONS AFTER THE OEB COMMUNITY MEETING

Following the meeting, the OEB received one letter of comment from a customer. The customer had no objection with the rate increase for Chapleau Public Utilities and noted that the utility provides good service.

SCHEDULE A
ONTARIO ENERGY BOARD PRESENTATION
CHAPLEAU PUBLIC UTILITIES CORPORATION
EB-2018-0087
FEBRUARY 22, 2019

OEB's Rate Review Process Getting Involved

OEB Community Meeting Chapleau Hydro's Rate Application

February 5, 2019

Every Voice Matters

Meeting Objectives

- Learn more about your utility's costs and rate application
- Find out how to get involved in the OEB's process
- Provide your comments about your utility's application.

Who We Are

We are an independent regulator responsible for Ontario's electricity and natural gas sectors.

We support and guide the continuing evolution of Ontario's energy sector by promoting outcomes and innovation that deliver value for all Ontario energy consumers.



What We Do

**Protect
Consumers
(Set and
Enforce
Rules)**

**Engage
and Inform
Consumers**

**Set Rates
and
Approve New
Facilities and
Mergers**

**Energy
Support
Programs
(OESP & LEAP)**

**Licence
Energy
Companies**

Ontario's Electricity Sector



Generation



Transmission



Distribution



Home

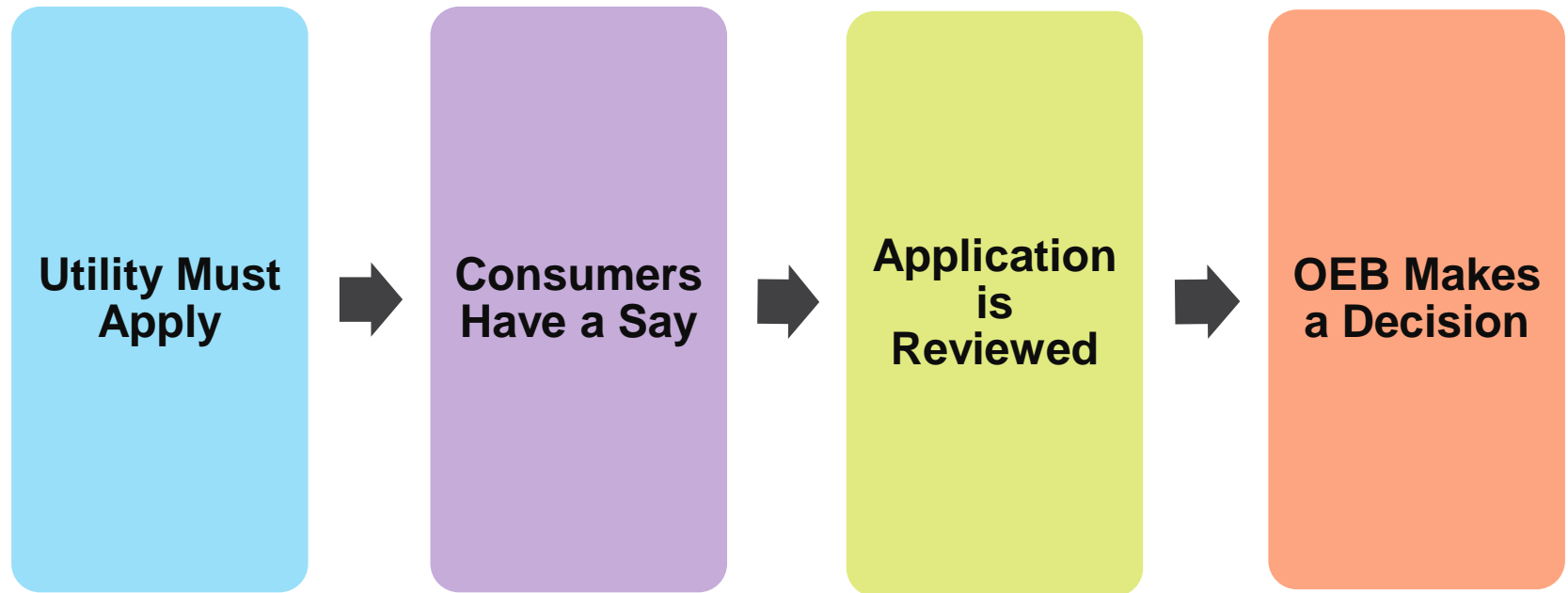
Delivering Value – Ensuring Reliability

Prices, reliability &
quality of service



Financially viable
energy sector

Holding Utilities to Account



Step One - Utilities Must Apply

Utilities Must Apply

- Every 5 years
- OEB closely examines costs, investments, plans and productivity
- Consumers are made aware through newspapers, websites, social media and bill inserts.

Step Two – Consumers Have a Say

Consumers Have a Say

- Giving consumers a stronger voice
- Making it easier to participate
- Hosting local community meetings
- Consumer feedback becomes part of the record
- Decision-makers see consumer comments

Step Three – Application is Reviewed

**Application
is
Reviewed**



Step Four – OEB Makes a Decision

OEB Makes a Decision

- The OEB rarely gives utilities all they ask for.
- Since 2009 the OEB has reviewed more than 140 major rate applications, and reduced requested rate increases by an average of about 38 per cent.

OEB's Rate Review Process – Have Your Say



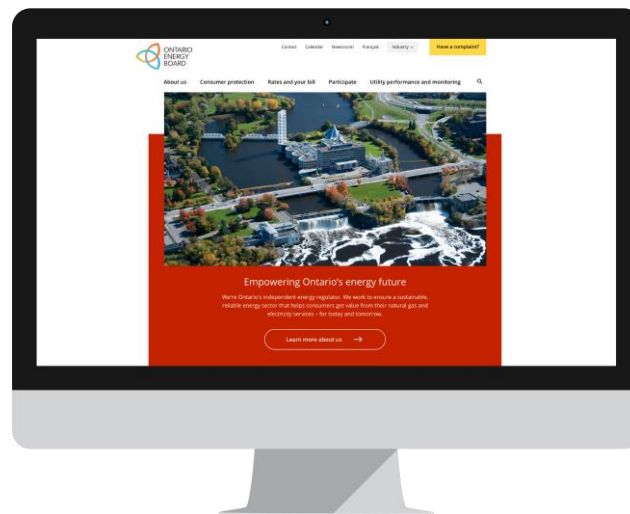
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Your Voice Matters – Thank You



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 **www.oeb.ca**

 **@OntEnergyBoard**

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

SCHEDULE B

CHAPLEAU PUBLIC UTILITIES CORPORATION PRESENTATION

CHAPLEAU PUBLIC UTILITIES CORPORATION

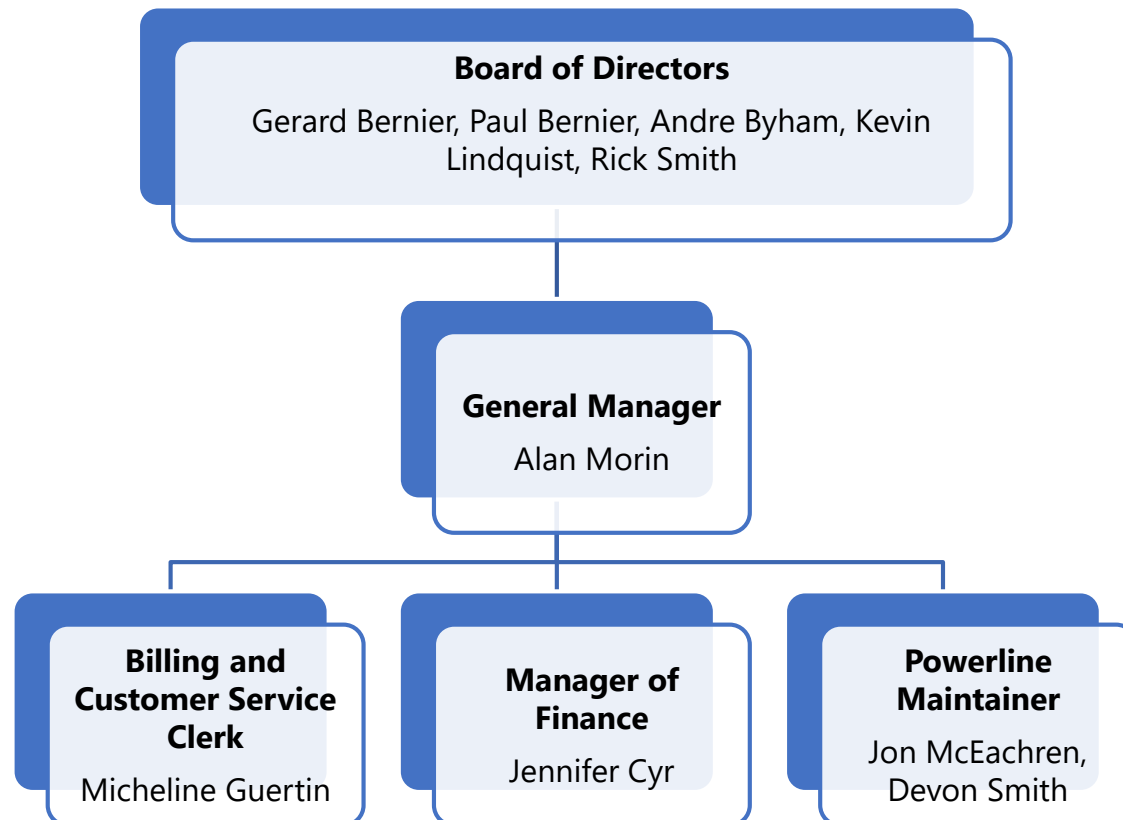
EB-2018-0087

FEBRUARY 22, 2019

Chapleau Public Utilities Corporation - CPUC

Overview of 2019 Cost of Service Rate Application

CPUC - Chapleau Hydro



Service Area	Description of Applicant (as of end of 2017)
Community Served	Chapleau
# of Metered Customers	1072 Residential
	162 General Service
	13 Over 50
	4 USL
	23 Sentinel
	328 Streetlights
Total Service Area	13.5 Sq. km
Rural Service Area	0 Sq. km
Average Peak	4133 kW
Host Distributor	Hydro One
Load provided by host	Hydro One

What Are Chapleau Hydro's Objectives?

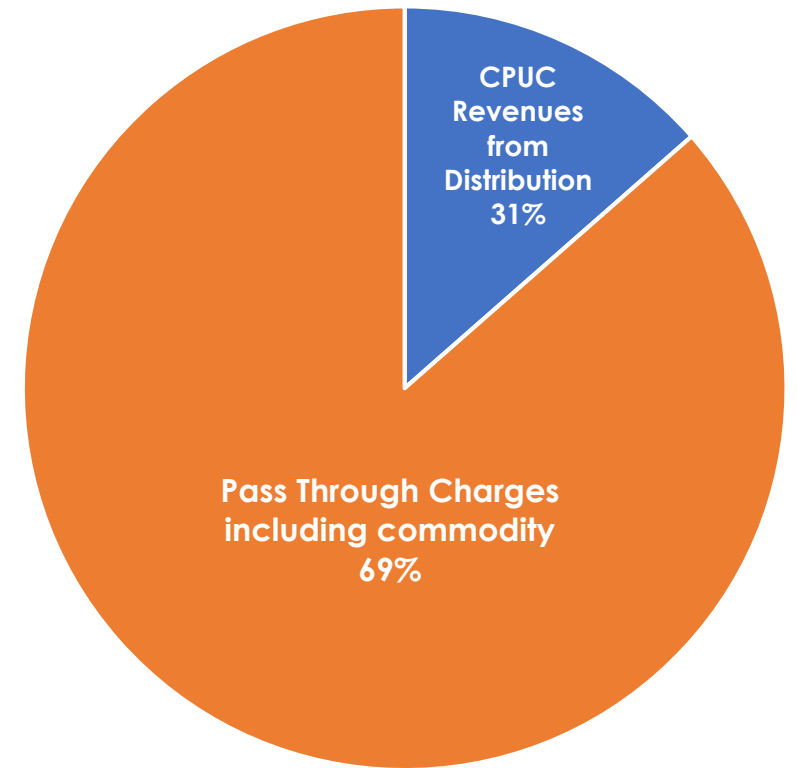
- ▶ To form strategic alliances with like-minded LDCs to realize greater efficiencies and integrate new ideas that improve operations, and ensure sustainability in an evolving energy sector.
- ▶ To drive down operating costs as much as possible.
- ▶ To position CPUC as a reliable and customer-focused LDC, with high levels of trust.
- ▶ To disaffirm negative perceptions that prevail, particularly in respect to energy increases.
- ▶ To build a stronger presence within the community.
- ▶ To maintain local control.
- ▶ To offer personalized customer experience.
- ▶ To re-invest in our infrastructure.

Change in Proposed Rates for 2019

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Total	
		Change in Total Bill	
		\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	2.88	2.5%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kwh	21.09	7.4%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kw	258.89	3.8%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kwh	(4.61)	-12.3%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kw	11.81	23.8%
STREET LIGHTING SERVICE CLASSIFICATION - RPP	kw	446.15	11.1%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	8.15	8.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	3.10	2.1%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	7.57	10.1%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	1.50	0.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	1.50	0.7%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	22.70	6.1%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kw	258.89	3.8%

Breakdown of Bill

	Charge (\$)	Charge (\$)	Impact \$ Change	% Change
Monthly Service Charge	\$24.04	\$50.87	\$26.83	112%
Distribution Volumetric Rate	\$10.50	\$0.00	-\$10.50	-100%
RRRP Credit	\$0.00	\$0.00		
DRP Adjustment	\$0.00	-\$14.44	-\$14.44	
Fixed Rate Riders	\$0.00	\$0.07	\$0.07	
Volumetric Rate Riders	\$0.00	\$0.00	\$0.00	
Sub-Total A (excluding pass through)	\$34.54	\$36.50	\$1.96	6%
Line Losses on Cost of Power	\$3.07	\$3.07	\$0.00	0%
Total Deferral/Variance Account Rate Riders	\$0.00	\$0.08	\$0.08	
CBR Class B Rate Riders	\$0.00	\$0.00	\$0.00	
GA Rate Riders	\$0.00	\$0.00	\$0.00	
Low Voltage Service Charge	\$0.45	\$2.03	\$1.58	350%
Smart Meter Entity Charge (if applicable)	\$0.57	\$0.57	\$0.00	0%
Additional Fixed Rate Riders	\$0.00	\$0.00	\$0.00	
Additional Volumetric Rate Riders	\$0.00	\$0.00	\$0.00	
Sub-Total B - Distribution (includes Sub-Total A)	\$38.63	\$42.24	\$3.61	9%
RTSR - Network	\$5.36	\$5.28	-\$0.08	-1%
RTSR - Connection and/or Line and Transformation				
Connection	\$1.26	\$1.42	\$0.16	13%
Sub-Total C - Delivery (including Sub-Total B)	\$45.25	\$48.94	\$3.69	8%
Wholesale Market Service Charge (WMSC)	\$3.47	\$2.52	-\$0.95	-27%
Rural and Remote Rate Protection (RRRP)	\$0.24	\$0.24	\$0.00	0%
Standard Supply Service Charge	\$0.25	\$0.25	\$0.00	0%
Ontario Electricity Support Program (OESP)				
TOU - Off Peak	\$31.69	\$31.69	\$0.00	0%
TOU - Mid Peak	\$11.99	\$11.99	\$0.00	0%
TOU - On Peak	\$17.82	\$17.82	\$0.00	0%
Non-RPP Retailer Avg. Price	\$82.58	\$82.58	\$0.00	0%
Average IESO Wholesale Market Price	\$82.58	\$82.58	\$0.00	0%
Total Bill on TOU (before Taxes)	\$110.69	\$113.44	\$2.74	2%
HST	\$14.39	\$14.75	\$0.36	2%
8% Rebate	-\$8.86	-\$9.07	-\$0.22	
Total Bill on TOU	\$116.23	\$119.11	\$2.88	2%



Movement in Revenue Requirement since the last Cost of Service.

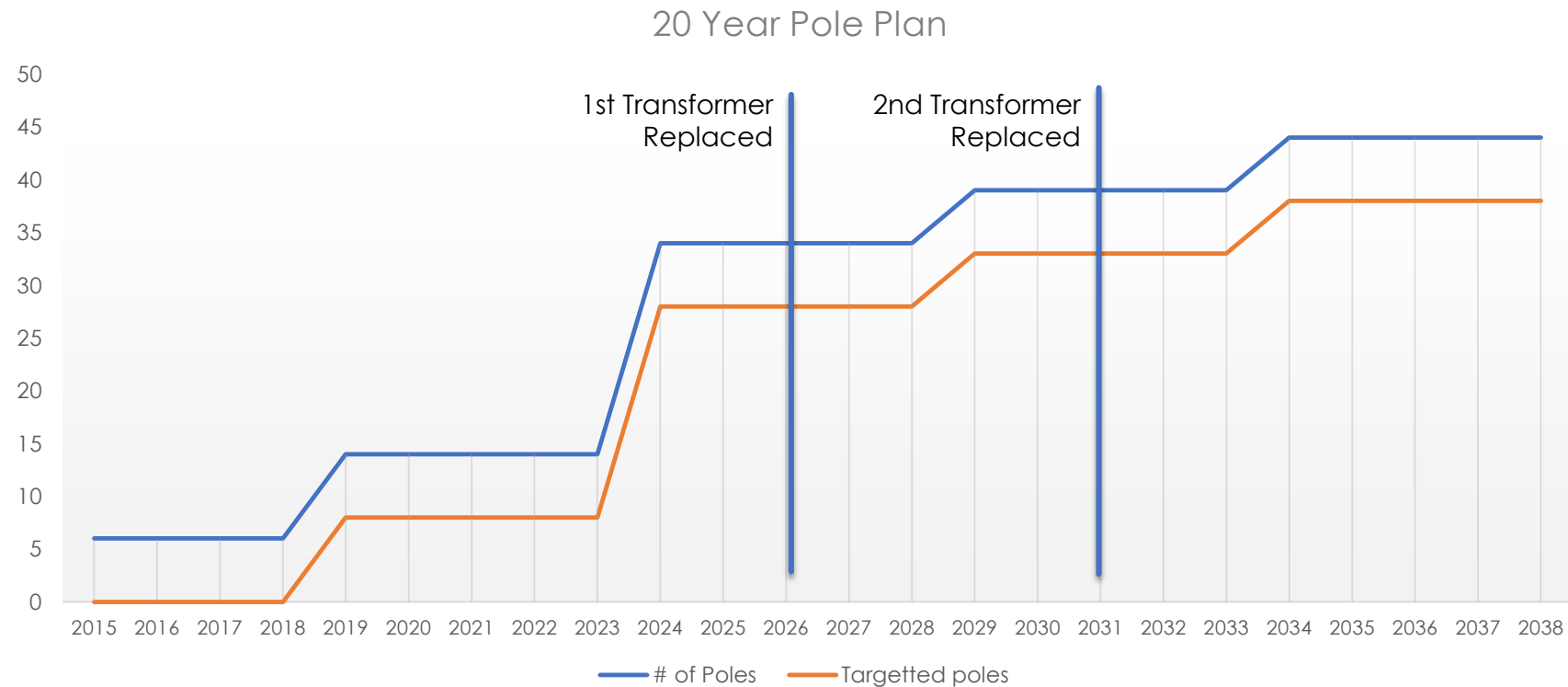
Movement in Revenue Requirement since 2012

2012 Revenue Requirement	\$795,919	2012 Approved Revenue Requirement
Increase in Net Fixed Asset	\$449,927	Added Assets (poles/meters/vehicle) since 2012
Reduction in Working Cash Allowance	-\$211,443	Reduction of 7.5% as per OEB policy
Increase in Rate (Asset) Base	\$238,484	Increase in value of assets + cashflow requirement
Increase Allowable Return on Assets	\$11,644	Increase in Return on assets as a result of new assets installed since 2012.
Increase in Operating Costs + Property Taxes	\$176,823	Increase due to 1) change in structure (no longer virtual) 2) Increase in regulatory costs 3) Wage increase for succession planning
Increase in Depreciation Expense	\$45,130	Increase in depreciation as a result of added assets
Reduction in Taxes (PILs)	-\$13,814	Reduction due to Change in accounting standards
Increase in Other Revenues	-\$8,994	Increase (shown as negative) of revenue offset
Increase in Revenue Requirement	\$208,901	Increase in total revenue requirement
2019 Revenue Requirement	\$1,004,820	2019 Proposed Revenue Requirement

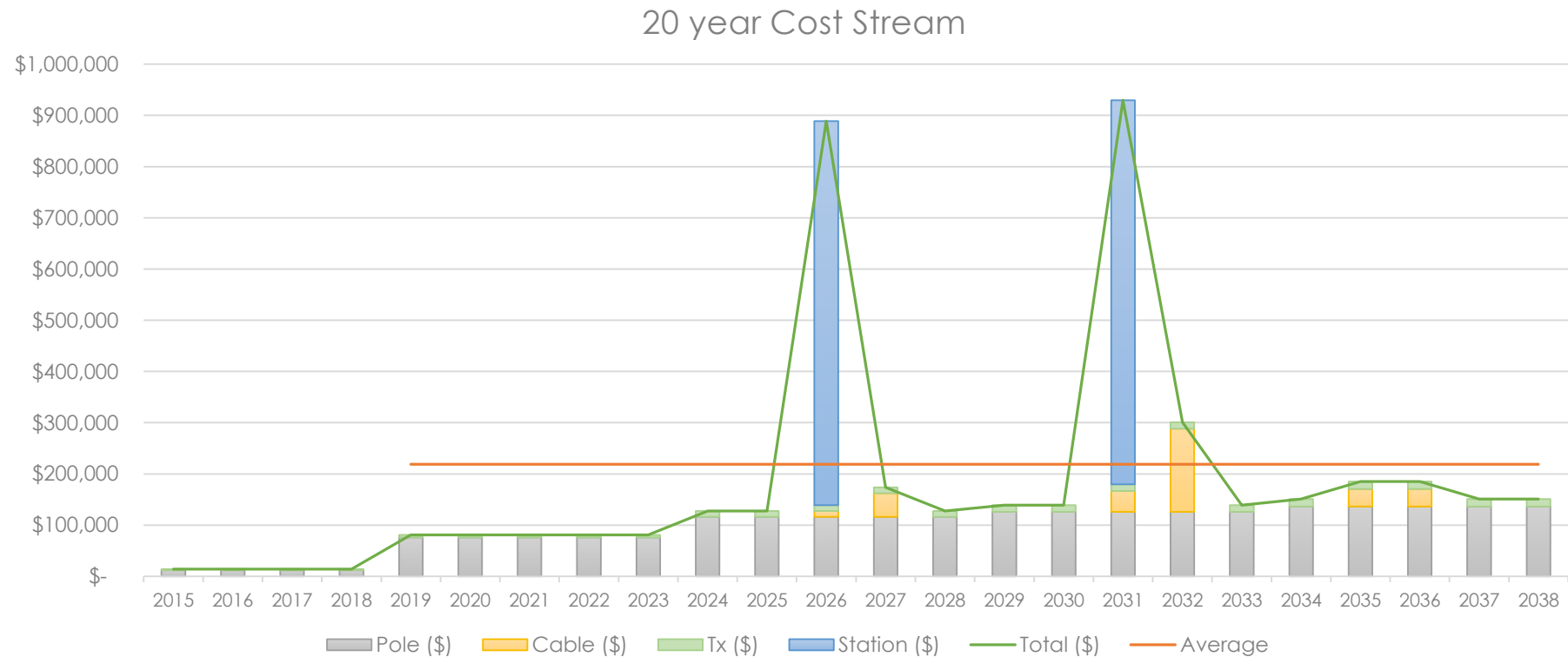
Major Projects

2015	2016	2017	2018	2019
Pole, Tower and Fixture replacement \$40,267	Pole, Tower and Fixture replacement \$35,193	Meter Sampling \$19,668	Meter Reverification \$8,039	Pole, Tower and Fixture replacement \$23,682
Line Transformer \$5,588		Pole, Tower and Fixture replacement \$4,389	Line Transformer \$8,780	Contract Work & Labour \$56,985
Burman Energy Survey and Software Support \$54,800			Distribution station moisture testing \$32,5000	
			Boom Truck \$389,010	
			Computer Upgrade and Software \$12,761	

Pole & Transformer Replacement

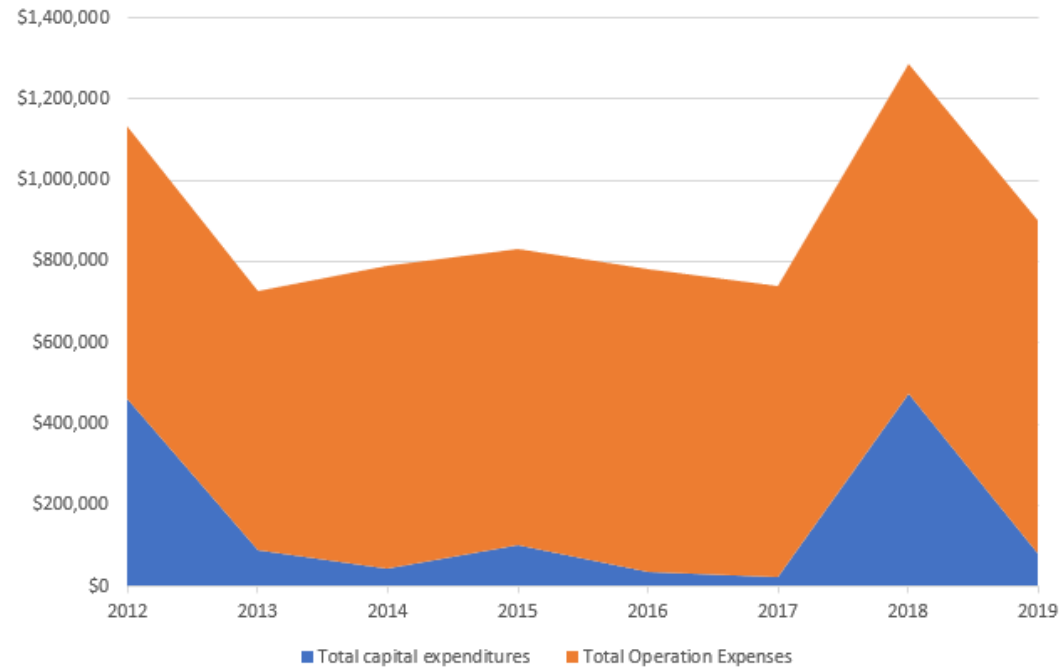


Pole & Transformer Replacement



Summary of Expenditures

	2012	2013	2014	2015	2016	2017	2018	2019
Total capital expenditures	\$462,048	\$88,227	\$43,923	\$101,175	\$36,293	\$24,056	\$476,662	\$80,667
Total Operation Expenses	\$670,606	\$638,470	\$744,673	\$730,564	\$744,036	\$716,585	\$809,404	\$821,163



Major Drivers of Operating Costs

Operating costs have increased by approximately \$176,823 over the past five years. The major contributing factors include:

- ▶ An increase in outside services for regulatory requirements. (ref: Exhibit 4)
- ▶ Wage increases for succession planning. (ref: Exhibit 4)
- ▶ Increased depreciation expense related to the purchase of a new utility truck. (ref: Exhibit 4)
- ▶ Costs associated with the merger of the two companies including the transfer of 100k in net fixed assets. (ref: Exhibit 4)
- ▶ Reduction in revenue offsets related to Hydro One's reducing Chapleau Hydro's service to 911 emergencies only. (ref: Exhibit 3)

Scorecard - Chapleau Public Utilities Corporation											9/20/2018	
											Target	
Performance Outcomes	Performance Categories	Measures		2013	2014	2015	2016	2017	Trend	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		100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time		100.00%	100.00%	100.00%	100.00%	99.68%	⬇	65.00%		
	Customer Satisfaction	First Contact Resolution			100%	100	100	100				
		Billing Accuracy			100.00%	99.99%	99.99%	99.99%	➡	98.00%		
		Customer Satisfaction Survey Results			95%	95	95	95				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness				76.00%	76.00%	79.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹		C	NI	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡		0	
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		2.18	0.28	4.75	1.82	0.94	⬆		1.36	
		Average Number of Times that Power to a Customer is Interrupted ²		2.58	0.38	1.07	0.63	0.69	⬆		0.92	
	Asset Management	Distribution System Plan Implementation Progress			0%	50	100	75				
	Cost Control	Efficiency Assessment		4	4	4	4	4				
		Total Cost per Customer ³		\$653	\$729	\$735	\$740	\$718				
		Total Cost per Km of Line ³		\$30,175	\$33,329	\$33,436	\$34,163	\$29,706				
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				26.22%	44.81%	66.56%			1.05 GWh	
		Renewable Generation Connection Impact Assessments Completed On Time										
	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time									90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.75	2.04	2.05	2.03	1.95				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.00	0.00	0.00	0.00	0.00				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%				
			Achieved	19.84%	16.88%	0.40%	-3.82%	-1.99%				
1. Compliance with Ontario Regulation 22/04 assessed: 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 distributor-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 CDM 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					

Utility Income

	Board Approved	Actual	Actual	Actual	Actual	Actual	Actual		Projected	Projected
Derivation of Utility Income	2012	2012	2013	2014	2015	2016	2017		2018	2019
Operating Revenues										
Total Operating Revenues	840,654	727,944	875,558	978,712	828,367	832,264	806,898		877,471	1,055,548
Total Costs & Expenses										
Total Costs & Expenses	733,066	794,394	717,619	824,189	788,011	803,900	773,615		971,783	950,131
Deemed Interest Expenses	38,606	19,759	7,170	6,037	4,490	2,425	4,020		4,020	42,390
Total Expenses	771,672	814,153	724,789	830,227	792,501	806,326	777,635		975,803	992,521
Utility Income before Income Taxes / PILs										
Utility Income before Income Taxes / PILs	68,982	-86,209	150,769	148,485	35,866	25,939	29,262		-98,332	63,028
PILs / Income Taxes	13,814	0	0	0	0	1,902	4,126		0	0
Utility Income	55,168	-86,209	150,769	148,485	35,866	24,037	25,136		-98,332	63,028

Customer Satisfaction Results; 95%

Chapleau Hydro Customer Satisfaction Survey

In general, how would you rate CPUC's overall performance in serving you?

Answer Options	Response Percent	Response Count	Point Allocation	Points Accumulated
Excellent	50.7%	77	1.00	77.00
Good	44.1%	67	1.00	67.00
Fair	4.6%	7	0.00	0.00
Poor	0.7%	1	0.00	0.00
answered question		152	Total Points accumulated	144.00
skipped question		27		
			Score	95%
This result gets reported on 2.1.19 RRR April Filing				

Without this
increase

15



Lack of investment in aging infrastructure could lead to greater costs in the future



Potential reduction in reliability of the system



Potential safety concerns of the system.



Failure to fully recover increased regulatory and other costs could reduce our ability to properly invest in our distribution system and customer service.

Questions?

