



# Chapleau PUC 2019 Rate Application

Dear Chapleau PUC customers,

Chapleau PUC has applied to the Ontario Energy Board to increase its electricity distribution rates effective May 1, 2019. If the application is approved, a typical residential customer of Chapleau PUC will see an increase of approximately \$4.70 per month and a typical General Service < 50kW customer of Chapleau PUC will see an increase of approximately \$25.95 per month. (ref: Exhibit 8 for detailed bill impacts)

The application, which was filed with the Ontario Energy Board on August 31, 2018, is called a "Cost of Service" and involves the setting and approval of new rate based on the value of the utility's assets and the cost incurred in providing service to its customers. For Chapleau PUC, this involves the maintenance and service of one transformer stations with two transformers, poles, lines, transformers, and meters. (ref: Exhibit 2) All wages and material related to the distribution of power form the basis for the costs included in the application (ref: Exhibit 4).

CPUC is requesting a Revenue Requirement for \$1,004,820. This represents an increase of \$208,901 from its last Cost of Service in 2012. (ref: Exhibit 6). The table below shows the major changes since the utility's last Cost of Service in 2012. Over the past 7 years, Chapleau PUC has added approximately 450K in assets (ref: Exhibit 2) on which it's allowed to recover a return of 11K (Exhibit 5). The increase in assets has resulted in an increase in yearly depreciation expense of 45K which Chapleau PUC can also recover through rates. Chapleau PUC's yearly operating costs have increased by 177K since 2012. Taxes have been eliminated, and revenues from charges other than rates, which offset the revenue requirement have increased by 9K. The table below shows the movement in revenue requirement since 2012.

**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)	-\$13,014	Reduction due to Change in accounting standards
Increase in Other Revenues	\$8,994	Increase (shown as negative) of revenue offset
<b>Increase in Revenue Requirement</b>	<b>\$208,901</b>	<b>Increase in total revenue requirement</b>
2019 Revenue Requirement	\$1,004,820	2019 Proposed Revenue Requirement

## Aligning Rates with Costs

There are several reasons why Chapleau PUC is seeking a rate increase starting in May of 2019. The main reason is that Chapleau PUC's current base rates were approved set in 2012 and subsequently updated for the rate of inflation in 2015. As such, revenues from rates can no longer support Chapleau PUC's current 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 PUC's service to 911 emergencies only. (ref: Exhibit 3)

As of January 1, 2018, the utility no longer operates as a "virtual" utility where employees were employed by Chapleau Energy Services and contracted out to Chapleau PUC. The merger was intended to reduce regulatory complexity and administrative burden and to make rate applications a less difficult process. The result is a company that can better control the costs associated with rates, and increased transparency.

A full slide presentation is available on our website at;

<http://www.chapleau.ca/en/townshipservices/publicutilities.asp>

## Aging Infrastructure

Like most utilities in Ontario, Chapleau PUC faces the need to renew aging electrical infrastructure. Much of the province's electrical system was built 30 to 50 years ago and has reached the end of its productive life.

- ✓ Chapleau PUC is working on balancing its need for assets and the money needed to pay for assets keeping in mind its customers' need for value.

Chapleau PUC has invested over \$450K in assets since 2012 – and over 20% of that investment is in ‘field’ assets - the wires, transformers and meters that are needed to reliably and safely deliver power to its customers. 80% was related to a boom truck which needed replacing. (ref: Exhibit 2)

Chapleau PUC has incurred other costs (wages and materials) in order to be able to make use of new systems. Much like other utilities, Chapleau PUC also faces external cost pressures, such as inflation. (ref: Exhibit 4)

Chapleau PUC has continued its efforts to improve operational performance and service excellence. Some highlights include:

- ✓ Reliability has improved steadily year after year, for the past ten years. (ref: Exhibit 2)
- ✓ Chapleau PUC has consistently exceeded OEB standards for customer service – responding to 90% of its customer calls within 30 seconds. (ref: Exhibit 2)
- ✓ In 2017 26,4M million kWh were delivered to Chapleau PUC customers. Even though customer counts have decreased, energy deliveries are largely unchanged due to Chapleau PUC customer uptake of conservation and demand management initiatives. (ref: Exhibit 3)

## Focus on Customers

By focusing on customer engagement and communications, Chapleau PUC is helping customers make better choices and create healthy, sustainable results for the community it serves.

Chapleau PUC has taken a new attitude towards informing, educating and responding to customer needs as a top priority. Chapleau PUC has recently launched a Facebook and Twitter account to help with customer communications for outages and during conservation campaigns. (ref: Exhibit 1)

This includes Chapleau PUC’s ongoing efforts to instill a conservation culture and promote the adoption of conservation to its customers. From residential and business customers to local school children, Chapleau PUC’s outreach programs are making a difference and have become integral to Chapleau PUC’s communications strategy.

With a new logo, Chapleau PUC is moving forward with a renewed sense of pride as it relates to ‘who we are and what we aspire to be’ as a company.

Results from a Customer Satisfaction Survey, undertaken by Chapleau PUC in the fall of 2017, demonstrate that the company is moving in a positive direction. It has helped to identify customer attitudes about the utility’s conservation programs, smart meters and TOU rates, electricity prices and Chapleau PUC’s standing and reputation in the community. The results will assist Chapleau PUC in fine tuning its programs, services and communications use direct and reliable customer feedback.

Overall Chapleau PUC customer satisfaction came in at a 95% approval rating. (ref: Exhibit 1)

## Rebuild and Respond

Chapleau PUC is focusing its efforts going forward on enhancing performance levels in all aspects of its operation and planning activities to comply with its regulatory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA).

At the core of Chapleau PUC’s mandate, is the responsibility to deliver a trusted source of safe, efficient, and reliable power to its customers. A critical element in that equation is the ongoing pole replacement programs that will ensure the long-term integrity and sustainability of the distribution system.

A newly developed Distribution System Plan (DSP) forms the basis for the utility’s capital and maintenance programs. The DSP reflects the latest performance priorities of the distribution system and serves as a placeholder for the longer term projects recommended from the condition (age risk ratings) assessments.

Under a 5-year capital investment plan, the company has embarked on a prudent course to maintain the utility’s equipment assets. (ref: Exhibit 2)

## Pass-through charges

Chapleau PUC is responsible for billing the customer for pass-through charges which are generally set by the province of the OEB. The billing and collecting of these charges most often create variance accounts which need to be disposed of. The total amount to be refunded to the residential class is a credit of \$4,710 and the total amount to be collected from the small business class is \$73,084. The proposed disposition period is of 48 months. (ref: Exhibit 9)

## Conclusion

With this filing, Chapleau PUC now looks to the future with the intent to provide essential electricity services to benefit our community and our customers.