



January 31, 2023

Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street, Toronto,
Ontario M4P 1E4

Attention: Registrar
Regarding: Request for a 2-year deferral of its 2024 Cost of Service Application.

Dear Registrar,

Chapleau Public Utility Corporation ("Chapleau Hydro") respectfully requests a two-year deferral from its rebasing Cost-of-Service application scheduled for rates effective May 1, 2024. Chapleau is instead requesting to file an application for rebasing in May of 2025 for rates effective January 1, 2026. The utility's justifications for its request are explained below.

Preamble

As noted in the Board's letter dated December 1, 2022, Chapleau Hydro is scheduled to file a Cost-of-Service application for rates effective in 2024.

In its decision to seek a deferral, Chapleau Hydro considered various factors, including whether it would be in the best interest of all stakeholders to prepare and file a Cost-of-Service application. In doing so, the utility considered the following issues.

- Past financial results.
- Past safety and reliability performances.
- Internal resources available to prepare a Cost of Service Application.

Past financial results

On Financial Results, Chapleau notes that since its 2019 Cost of Service, the utility's Return on Equity ("ROE") has been stable considering that Chapleau is the smallest utility in the province and that with a revenue requirement of \$1,023,760, the slightest change in revenues and expenses can trigger the utility's actual ROE to land beyond or below the 300 basis points. The table below summarizes the utility's historical financial performance, including its ROE from 2019 Board Approved to 2021.

Chapleau Hydro Financial Results

	2019	2019	2020	2021
	CoS	Actual	Actual	Actual
Distribution Revenues	971,796	910,135	987,999	983,210
OM&A Expenses	785,163	823,563	829,276	732,468
Depreciation & Amortization	120,706	99,253	125,288	127,225
Deemed Interest Expenses	44,189	6,933	1,626	282
PILs / Income Taxes	0	0	-11,000	26,300
Other Revenue	51,964	132,943	47,570	98,908
Utility Income	\$109,628	\$104,838	\$80,299	\$185,390
Achieved ROE	9.12	8.46	3.57	24.43
Deemed ROE	9.12	9.12	9.12	9.12

The table above shows that the utility's ROE has deviated from the 300-basis points threshold for the last two years. Board Staff's submission on Chapleau Hydro's 2023 IRM Application, states the following.¹

"Chapleau Public Utilities' 2021 ROE reported in the OEB's Reporting and Record-Keeping Requirements 2.1.5.6 - Regulated Return on Equity was 24.43%, or 15.45% (1,545 basis points) greater than its ROE of 8.98% as approved in its 2019 cost-of-service proceeding.

Chapleau Public Utilities requested an adjustment to its base rates in this proceeding.

Providing the following explanation for the primary drivers of the 2021 over earning:

- 1. An increase in 2021 Other Revenues of \$46,944 due to a "one-time" administrative fee charged to a Hydro One mining customer who hired Chapleau Public Utilities to administer the transfer of Chapleau Public Utilities' pole attachments to Hydro One upgraded poles.*

¹ Ontario Energy Board (OEB) Staff Submission Chapleau Public Utilities Corporation 2023 Distribution Rate Application OEB File Number: EB-2022-0021

2. A temporary decrease in OM&A of \$52,695 due to an operations employee taking an unpaid leave of absence for medical reasons (the position was left vacant from February 2021 to December 2021)."

In its submission, OEB Staff normalized Chapleau Hydro's ROE to remove the one-time revenues and adjustments down to 10.77%. Although the Decision and Order is yet to be issued, OEB Staff is not objecting to Chapleau Hydro's request for the price cap adjustment in this rate application, given that the two main drivers that have caused the 2021 over-earning appear to be one-time in nature and not recurring.

Past safety and reliability performances

Concerning Safety and Reliability measures, Chapleau Hydro's scorecard measures indicate that the utility maintains its scores at a more than adequate level.

Chapleau Hydro SQI Customer Satisfaction, Reliability Results

Indicator	OEB Minimum Standard	2019	2020	2021
New residential/small business services connected on time	90.0%	100	100	100
Scheduled appointments met on time	90.0%	100	100	100
Telephone calls answered on time	65.0%	97.9	97.57	99.16
Billing accuracy	98.0%	100	99.98	99.99
Complaints		0	1	0
The average number of hours power to a customer was interrupted		6.914	5.872	2.679
The average number of times power to a customer was interrupted		2.562	2.326	1.145
Efficiency rating	80.0%	4	4	4
Cost per Customer		\$864	\$858	\$781

Resources related to a Cost-of-Service Application.

In considering a deferral request for the upcoming rate year, Chapleau has also evaluated whether the time, resources, and expense related to preparing an application would be in the best interest of the utility, customers, and shareholder. Chapleau is currently undergoing staffing changes that would greatly impact its ability to file a Cost-of-Service application in a complete and prompt manner. In careful consideration, Chapleau Hydro does not feel a Cost-of-Service application would benefit its stakeholders at this time. As such, the utility requests to set rates using the Price Cap IR rate-setting method for 2024 and 2025.

Given the above arguments, Chapleau Hydro feels it is reasonable and justifiable for the OEB to approve the utility's request for a deferral in filing its Cost-of-Service application.

Should the Board have questions regarding this matter, don't hesitate to contact Kevin Lindquist at the information below.

Respectfully Submitted,



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