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

Developing a First Nations Rate for On-Reserve First Nations Electricity Customers: **Special Chiefs Assembly**

November 23, 2016

The Minister's Request to the OEB

The Minister has requested that the OEB examine options for developing a First Nations Rate, including:

- Design, development and implementation of a First Nations Rate
- Engage with First Nations communities and organizations
- Consider interactions with existing programs such as the Ontario Electricity Support Program (OESP)
- Consider impacts on existing electricity consumers, as well as distribution and transmission utilities and other stakeholders
- Identify eligible on-reserve First Nations consumers, including those living on reserves not connected to the IESO grid and those served by power systems not regulated by the OEB
- Report back by January 1, 2017

Scope for Developing a First Nations Rate

- The OEB with the Chiefs Committee on Energy Grievances, established an Advisory Committee to provide advice on engagement plans, identification of issues and discussion of proposed options
- The Advisory Committee stated that the focus for this initiative should be recognizing First Nations' contribution to the electricity system in the province
- The Advisory Committee identified delivery charges associated with transmission and distribution assets as of particular concern to their members
- This initiative will be undertaken in the context of the Advisory Committee's views with the objective of:

Developing an appropriate electricity delivery charge for on-reserve First Nations residential electricity consumers

Input from Engagement Sessions

The OEB, with the Chiefs of Ontario, conducted engagement sessions in London, Couchiching, Sudbury, Toronto and Thunder Bay.

First Nations Primary Concerns:

1. **Historical Grievances**
   - Using First Nations' treaty lands to distribute and transmit power without permission or compensation

2. **High Electricity Prices**
   - Crippling communities: stagnating economic development and displacing members from their homes
   - Concerns over the high cost of delivery charges relative to the rest of their bill
   - Members faced with the decision of either paying rent or their electricity bill – unable to afford both
   - Members having to take out loans to pay their hydro bills
   - Lack of education on time-of-use pricing
   - Communities are developing plans to move off grid because of high rates

Input from Engagement Sessions

Members' views on First Nations Rate

- First Nations Rate should be easy to implement in order to realize benefits quickly
- A First Nations Rate should take care of all members equally
- This is about compensation for their contribution to the electricity system in the province, not affordability
- It should be a tangible benefit – members want to see the amount on their bill so they can quantify how much they are receiving
- Members want assurance they will not have to pay for the program directly or indirectly
- Consensus among members that the best option is the elimination of the delivery rate
  - Feel this option is the fairest, easiest to implement and will have the biggest benefit for their members
- Consensus that the First Nations Rate should not be application based
  - Desire to protect members privacy and prevent unnecessary information being collected

Proposed Options & Cost Projections

	Options for Residential Rate Relief	Typical Credit Amount / Month		Approx. Residential Monthly Bill Impact (750 kWh)	Estimated Annual Program Cost*
		Summer	Winter		
Preferred Approach	100% Delivery Rate Credit	$85	$110	$0.10	$18M
	Seasonal Fixed Credit	$50	$100	$0.07	$13M
	50% Total Bill Reduction	$100	$150	$0.12	$23M
	First Nations Specific Rate Class	Lengthy to implement: Would require a load profile study, cost allocation study and cost-of-service review to determine			

- *Cost projections calculated using residential customers only*
- **Current RRRP reflected for relevant distributors; prior to proposed RRRP enhancement*
- **This analysis does not include Hydro One Remotes, Algoma Power, PUC, and Cornwall Electric*

Overview of Proposed Options

	Option	How It Works	Benefits	Drawbacks
Preferred Approach	**Delivery Rate Percentage Credit**	The delivery rate is reduced by a fixed percentage amount (i.e. 100%) applied through a monthly on-bill credit	• Preferred by FN members • Easy to implement • Provides a tangible benefit, equality of outcome • Ensures conservation remains a priority	• Program costs would be highly sensitive to changes in distribution, transmission and commodity costs
	Seasonal Fixed Credit	A fixed amount is applied to the bill that varies based on summer (May 1 – Oct 31) and winter (Nov 1 – Apr 30) peak seasons (e.g. $50 in summer and $100 in winter)	• Accounts for price fluctuations during colder months • Easy to forecast total program costs • Easy to implement • Provides a tangible benefit	• A fixed credit will not benefit all customers equally • Very low volume consumers may receive $0 bill after the credit and/or may seek to carry forward any unused credits
	Percentage Based Bill Reduction	The total bill is reduced by a fixed percentage amount, such as 50%	• Provides an equitable level of benefit to all customers • Simple to administer • Provides a tangible benefit	• Difficult to forecast total program costs as they will vary based on usage
	First Nations Specific Rate Class	A new rate class for on-reserve First Nations customers is created, using a “Provincial Contribution” to inject revenue into the class to reduce the revenue-to-cost ratio to a specified amount (e.g. 0)	• First Nations customers would have a separate and distinct rate class	• Complex and costly to administer • Deviates from OEB’s current cost allocation and rate design principles • Lack of historical data; would require a load profile study • By removing any dollar amount related to the benefit provided, the credit may not be readily apparent to FN customers

Illustrative Bill Presentment

MONTHLY BILL STATEMENT

Account Number:
000 000 000 000 0000 0

Meter Number:
0000000

Your Electricity Charges

ELECTRICITY	X.XX
135 kWh On-peak @ X.X ¢ /kWh 127 kWh Mid-peak @ X.X ¢ /kWh 488 kWh Off-peak @ X.X ¢ /kWh	
DELIVERY	0.00
First Nations Rate saved you $X.XX	
REGULATORY	X.XX
DEBT RETIREMENT CHARGE	0.00
Debt Retirement Charge exemption saved you $X.XX	
Your Total Electricity Charges	X.XX
Total Amount	**$X.XX**

The Debt Retirement Charge was removed for certain residential consumption after Dec. 31, 2015. Learn more at Ontario.ca/DRC.

A separate line would show the amount of the delivery charge the customer would have paid

The delivery charge would appear as $0 on the bill

Funding Mechanism Options

Analysis indicates that the average monthly benefit for on-reserve First Nations customers is approximately $98

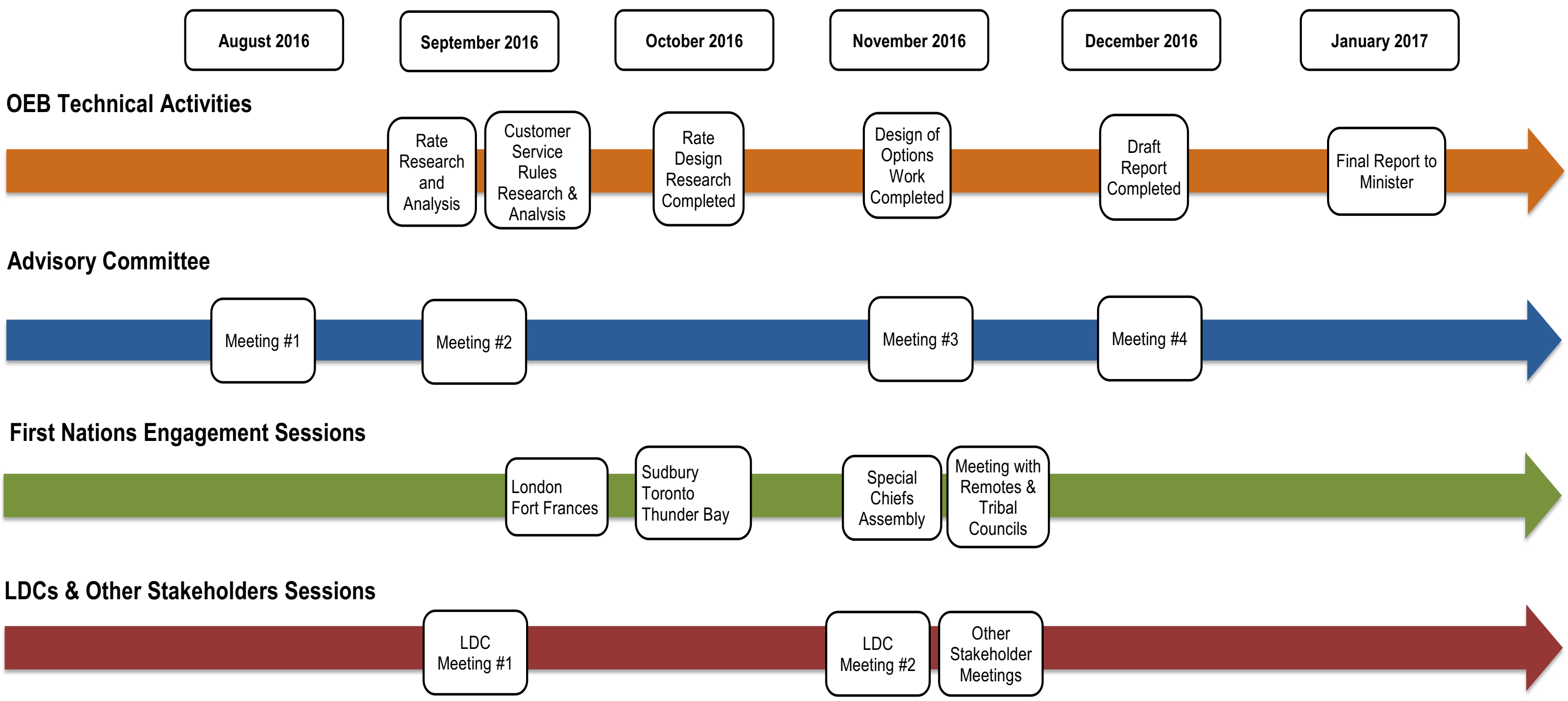
	Option	How it Works	Benefits	Drawbacks
Preferred Approach	Rural or Remote Rate Protection (RRRP) Charge	Program costs would be recovered through the existing RRRP charge that is paid for by all ratepayers	• Infrastructure to collect funds is already in place • Efficient and cost effective to implement	• On-Reserve First Nations customers would be charged for the program – but payment is estimated to be less than $0.20 per month (only 0.2% of the typical benefit) • Requires regulatory changes
	Separate Regulatory Charge	Creation of a new regulatory charge that is paid for by those ratepayers who are not recipients of the First Nations Rate	• On-reserve First Nations customers would not pay for the First Nations Rate, consistent with preference expressed	• Potential for implementation delays • More complex to create a new rate – time and cost • Requires legislative changes

Next Steps

Activity	Timeline
Advisory Committee Meeting #4	**December 1** (TBC)
OEB Report with Recommendations to the Minister	**December 30**

Appendices

Our Process to Develop a Report to the Minister



Guiding Principles for First Nations Rate

In collaboration with the Advisory Committee, the following principles were established to help guide the OEB in developing its recommendations:

1. Maximizing Benefits for On-Reserve First Nations customers at the Lowest Cost to Other Ratepayers
2. Ease of Program Implementation for First Nations customers and Utilities
3. Fairness for All Customers
4. Demonstrating that First Nations views were heard and considered

Input from Engagement Sessions

Customer Service & Other Issues

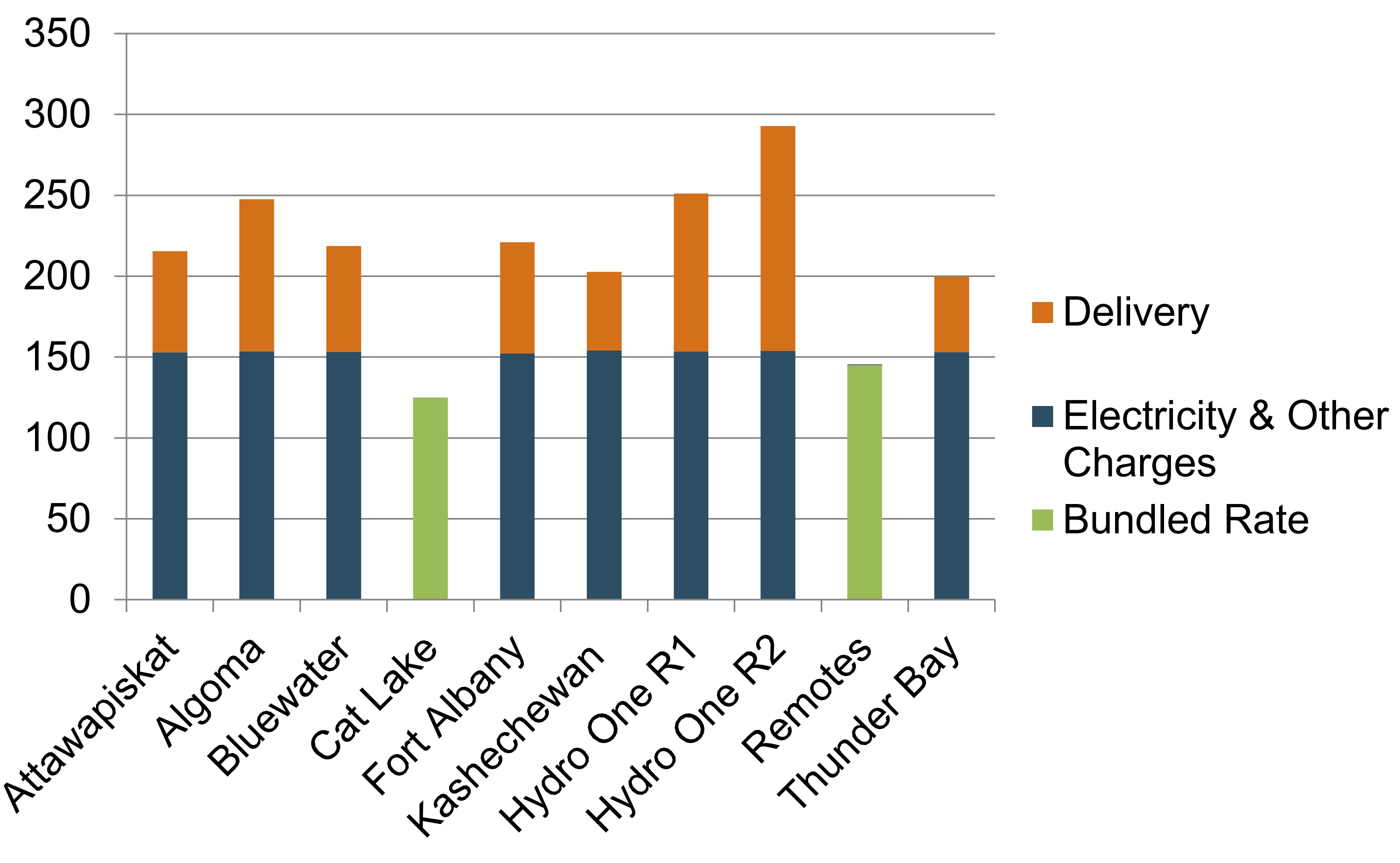
- Disconnection fees should be waived in First Nations communities
- IESO Aboriginal Conservation Program was very successful – would like to see more of conservation programs in their communities
- Six Nations is very happy with the approach Hydro One has taken to customer care on their reserve. Members would like to see this approach expanded to their communities
- Encourage Hydro One and other utilities to visit and talk with First Nations communities about their electricity bills and educate them on time of use pricing

Summary of First Nations Data from Distributors

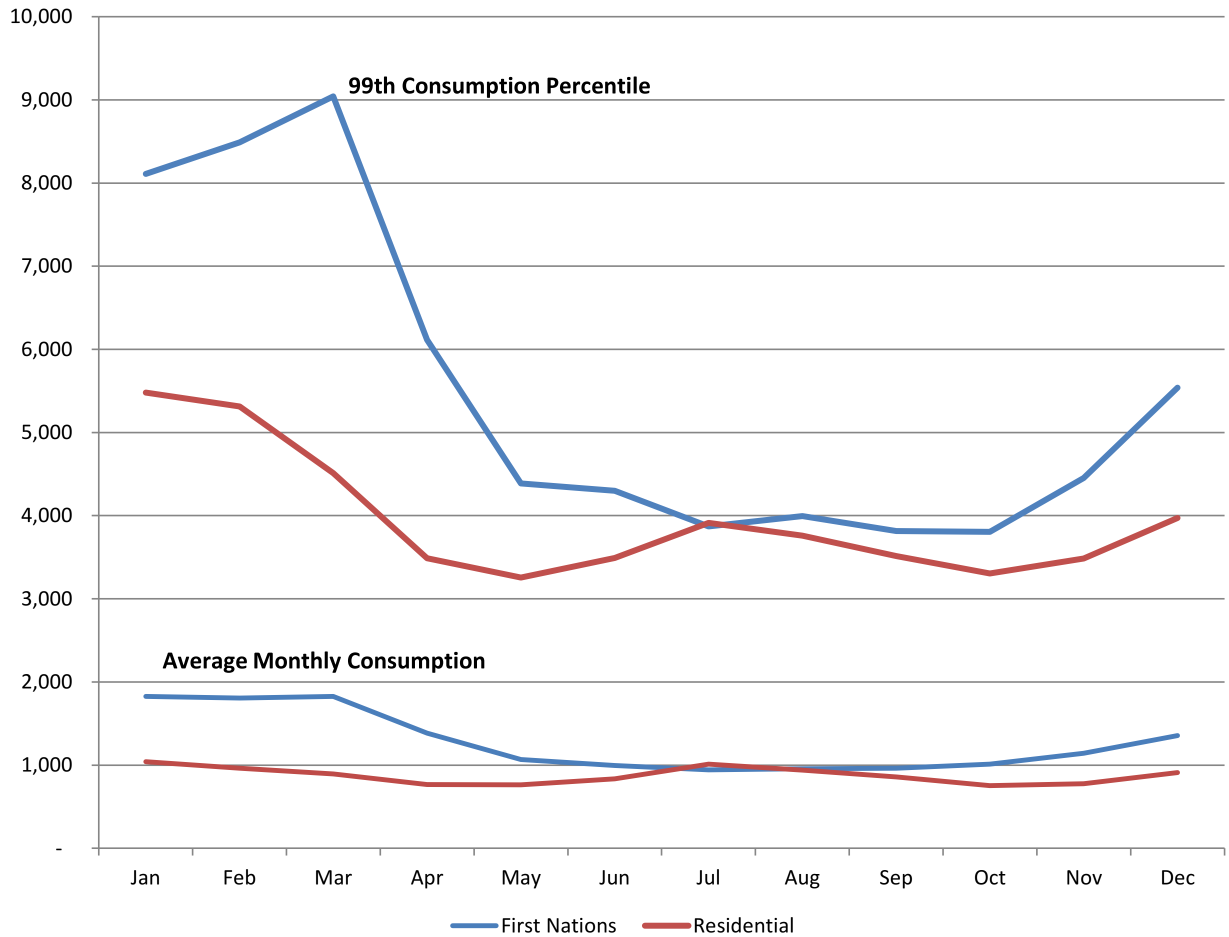
- Received data from 6 distributors
  - Hydro One, Bluewater, Thunder Bay, Hydro One Remotes, Algoma Power, Cornwall Electric, and PUC
  - Approximately 24,000 customers in total
  - 20,000 residential
- Average residential monthly consumption 1,270 kWh across affected distributors
  - However, depending on distributor and rate class this can vary significantly
    - e.g., average consumption in the month of January for H1 residential customer was 1,900 kWh as opposed to 818 kWh for Bluewater
- Average monthly residential bill $250
  - Average winter bill (Nov 1 – Apr 30) $298
  - Average summer bill (May 1 – Oct 30) $201
- Total delivery costs are estimated at $18.4M based on H1, Bluewater, and Thunder Bay data which represent ~90% of the 20,000 residential customers in the sample.

Cost projections calculated using residential customers only and prior to any RRRP enhancement.
This analysis does not include Hydro One Remotes, Algoma Power, PUC, and Cornwall Electric

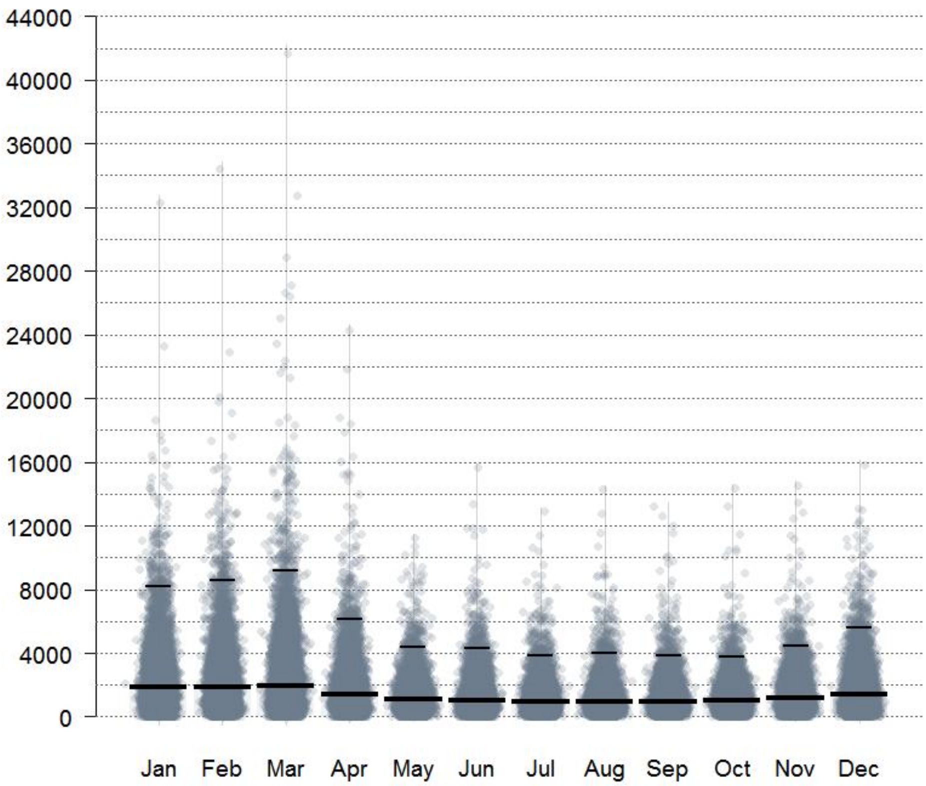
Residential Bills Vary by Distributor



Comparing Residential and First Nations Monthly Consumption (kWh/Month)

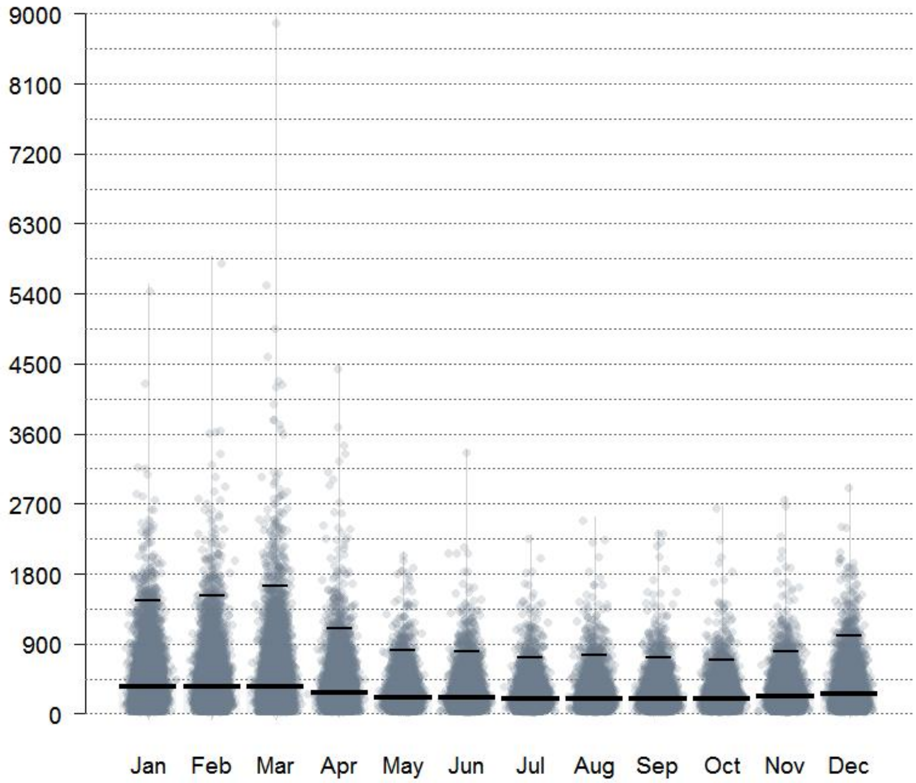


Monthly Consumption Across First Nations Residential Customers (kWh/Month)



Month	Average Monthly Consumption	99th Monthly Consumption Percentile
Jan	1828	8109
Feb	1807	8488
Mar	1826	9043
Apr	1384	6113
May	1069	4387
Jun	996	4300
Jul	942	3872
Aug	956	3996
Sep	965	3816
Oct	1013	3804
Nov	1142	4453
Dec	1357	5538

Monthly Bills Across First Nation Residential Customers ($/Month)



Month	Average Monthly Bill	99th Monthly Bill Percentile
Jan	346	1454
Feb	346	1519
Mar	350	1638
Apr	273	1107
May	214	817
Jun	205	808
Jul	195	718
Aug	197	752
Sep	197	723
Oct	200	701
Nov	224	809
Dec	253	998

Remote Communities & Independent Power Authorities

Minister's Request	Distributors / Communities Identified	Comments
Identification of First Nations who live on reserves not connected to the IESO grid	1. Hydro One Remotes 2. Cat Lake 3. Cornwall Electric	• Charge a bundled Delivery Rate which includes the cost of supplied electricity • Difficult to determine the delivery amount to be credited
Identification of First Nations served by power systems not regulated by the OEB (e.g., off grid independent power authorities)	1. Keewaywin 2. Wawakapewin 3. Pikangikum 4. Poplar Hill 5. Muskrat Dam 6. Nibinamik 7. Wenusk (Peawanuk) 8. Wunnumin Lake 9. Eabametoongn (Fort Hope) 10. North Spirit Lake	• To date, no engagement sessions have been conducted with IPA communities to determine their issues and concerns • Working to establish a meeting with IPA communities through the COO • Work needed to comprehend how Indigenous & Northern Affairs Canada would view provision of credit and risk of clawback, among other issues