

**Festival Hydro Inc.
EB-2011-0167**

Board Staff Interrogatories

Shared Tax Savings Workform

Interrogatory #1

Ref: A portion of the 2012 Shared Tax Savings Workform, Tab 5

Summary - Sharing of Tax Change Forecast Amounts

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #) \$ 24,000

1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2012
Taxable Capital	\$ 42,140,000	\$ 42,140,000
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 27,140,000	\$ 27,140,000
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 20,188	\$ -

Board staff notes that Tax Credits from the Cost of Service Calculation and Taxable Capital differ from what was reported in Festival's 2010 Revenue Requirement Workform from EB-2009-0263.

- (A) If Festival agrees, please verify, and Board staff will make the necessary corrections to the model.
- (B) If the answer to (A) is no, please provide support for the numbers reported in the Workform.

Revenue-to-Cost Ratio Model

Interrogatory #2

Ref: A portion of the Revenue-to-Cost Ratio Model, Tab 3

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed		
				Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C
RES	Residential	Customer	kWh	17,115	141,132,375	
RES	Residential - Hensall	Customer	kWh	413	4,143,109	
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,968	67,469,308	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	221	316,941,804	797,792
LU	Large Use	Customer	kW	2	128,687	128,687
USL	Unmetered Scattered Load	Connection	kWh	156	629,732	
Sen	Sentinel Lighting	Connection	kW	83	234,690	679
SL	Street Lighting	Connection	kW	5,916	3,904,130	11,255

Board staff notes that for the Large Use rate class, the re-based billed kWh appears to have been entered incorrectly. In Festival's previous CoS decision, re-based billed kWh for the Large Use rate class was reported as 65,544,852 kWh.

- (A) If Festival has incorrectly entered the above figure, please verify, and Board staff will make the necessary adjustments to the model.
- (B) If the answer to (A) is no, please provide support for the new figure.

Interrogatory #3

Ref: Revenue-to-Cost Ratio Model, Tab 6

Ref: EB-2009-0263 Decision and Order, Page 38

Ref: EB-2011-0167 Application, Manager's Summary, Page 7

Festival states that "the only class ratio in EB-2011-0167 which does not agree to the EB-2009-0263 is the GS > 50 kW, in which Festival chose to keep the ratio the same at 81.39% rather than adjusting downward to 81.31%. Also, residential is different by 0.1%. This is the rate class where the small re-balancing amount (\$10,805) was assigned in the workform."

Board staff notes that it is the Board's expectation that applicants will comply with the Board's instructions with respect to adjustments in revenue-to-cost ratios established in prior decisions.

- (A) Please explain why the applicant chose to keep the ratio for GS >50 kW the same rather than adjusting it downwards as per the Board's findings in Festival's 2010 COS application.

Smart Meter Funding Adder

Interrogatory #4

Ref: EB-2011-0167 Application, Page 5

"As Festival Hydro did not receive direction in our 2011 Decision and Order EB-2010-0083 regarding a sunset date for our smart meter rate adder, Festival requests that the Board allow continuation of the existing rate adder of \$1.52 approved under EB-2010-0083."

Ref: EB-2010-0083 Decision and Order, Page 5

"Since the deployment of smart meters on a province-wide basis is now nearing completion, the Board expects distributors to file for a final prudence review at the earliest possible opportunity following the availability of audited costs. For those distributors that are scheduled to file a cost of service application for 2012 distribution rates, the Board expects that they will apply for the disposition of smart meter costs and subsequent inclusion in rate base. For those distributors that are scheduled to remain on IRM, the Board expects these distributors to file an application with the Board seeking final approval for smart meter related costs. **In the interim, the Board will approve the requested SMFA of \$1.52 per metered customer per month from May**

1, 2011 to April 30, 2012. This SMFA adder will be reflected in the Tariff of Rates and Charges, and will cease on April 30, 2012.” (emphasis added)

- (A) Please explain why Festival believes that it was not given direction in its 2011 IRM decision that its SMFA would cease after April 30, 2012, given the excerpt above.
- (B) Please explain, in detail, what circumstances have changed that would justify extension of the SMFA beyond April 30, 2012.
- (C) With respect to deployment of Smart Meters to residential and GS<50 kW customers, please identify the number and percentage deployment to each class as of the following dates:
 - a. December 31, 2010
 - b. December 31, 2011 (forecasted); and
 - c. April 30, 2012 (forecasted).

Rate Generator

Interrogatory #5

Ref: IRM Rate Generator, Tab 6

Ref: Current Tariff of Rates and Charges

Board staff notes that for the line item labelled, “Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery” a sunset date of April 30, 2014 has been entered for all applicable rate classes. Board staff notes that on Festival’s current Tariff of Rates and Charges (effective May 1, 2011), the sunset date is April 30, 2012.

- (A) If Festival agrees with Board staff that the sunset date should read April 30, 2012, please verify and Board staff will make the necessary adjustments.

Interrogatory #6

Ref: A portion of the IRM Rate Generator, Tab 10

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹
Residential	\$/kWh	141,132,375		27,584,014	-	5,329,813
Residential - Hensall	\$/kWh	4,143,109		808,731	-	105,274
General Service Less Than 50 kW	\$/kWh	67,469,308		14,512,693	-	1,664,350
General Service 50 to 4,999 kW	\$/kW	58,511,270	147,282	55,615,184	139,992	
General Service 50 to 4,999 kW – Interval Metered	\$/kW	258,430,534	650,510	245,639,204	618,312	
Large Use	\$/kW	65,544,852	128,687	65,544,852	128,687	384,291
Unmetered Scattered Load	\$/kWh	629,732		-	-	31,459
Sentinel Lighting	\$/kW	234,690	679		-	6,428
Street Lighting	\$/kW	3,904,130	11,255	2,801,582	8,077	93,904
Total		600,000,000	938,413	412,506,260	895,068	7,615,519

- (A) Board staff is unable to verify the distribution revenue entered for each rate class with Festival’s last cost of service application. Please provide evidence supporting these amounts.

Manager's Summary

Interrogatory #7

Ref: EB-2011-0167 Application, Page 15

Board staff notes that in Festival's 2011 Decision and Order (EB-2010-0083), the Board instructed Festival to determine the cost of system enhancements required to implement a separate rate rider that would prospectively apply to non-RPP customers with its next rates proceeding.

Festival noted on page 15 of their 2012 IRM Rate Application that it will be making upgrades to its billing software in 2012-2013 after smart meters are fully implemented in May 2012. At that time, Festival will upgrade the system to be capable of applying the global adjustment rate rider solely to non-RPP customers. The amount for the cost of the upgrade is not expected to be substantial and will be absorbed within Festival's existing cost structure.

- (A) Please confirm that Festival will be able to apply the global adjustment rate rider solely to non-RPP customers at the time of its 2013 Rate Application.

Interrogatory #8

Ref: Account 1521 - A portion of the IRM Rate Generator, Tab 9

Ref: EB-2011-0167 Application, Page 8

With respect to account 1521, Festival notes in its Manager's Summary that: "At the end of August 2011, the remaining balance for recovery is principal of \$5,657 and accrued interest of \$1,488, for a total of \$7,145."

Board staff notes that on tab 9 of the Rate Generator, Account 1521 lists closing interest amounts as of Dec. 31, 2010 as \$1,009 (not including projected interest) and a total claim of \$7,216.

- (A) Please confirm what amount Festival paid in regards to the SPC Assessment and provide a copy of the original invoice.
- (B) Please verify which of the figures is the actual amount being requested for disposition for account 1521 as at December 31, 2010.
- (C) Please also verify the accrued interest amount for account 1521 as at December 31, 2010.
- (D) Please complete the table below in regards to Festival's SPC Assessment.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Carrying Charges for 2012 (Jan 1 to April 30)	Total for Disposition (Principal & Interest)

Payments In Lieu of Taxes – PILS 1562

Interrogatory #9

Ref: Missing Evidence

Please provide the following missing PILs evidence:

- (A) Excel 2001, 2002 and 2005 Board-approved PILs proxy models (active) that were filed with the respective applications in 2003 Excel compatible format.
- (B) Excel 2001/2002, 2004 and 2005 rate applications (active).
- (C) Updated 2001 SIMPIL model. Examples of the revised 2001 SIMPIL model can be found in Burlington (EB 2011-0155) or Bluewater (EB-2011-0153) 2012 rate applications.

Interrogatory #10

Reference: PILs Continuity from May 2006 to Dec 2010_Dec 31 2010_20111004 – PILs proxy amount

- (A) Please clarify how the 2004 PILs entitlement of \$1,226,571 is calculated with specific reference to the period January 1, 2004 to the effective date of the rate change of April 1, 2004.

Interrogatory #11

Reference: 2003 SIMPIL Model -Maximum Deemed Interest

In the SIMPIL models for 2001, 2002, 2004 and 2005 Festival used the Board-approved maximum deemed interest to calculate the true-up variance. However, in the 2003 SIMPIL model Festival used a different value. Please refer to issue # 13 in the settlement agreement in the combined proceeding.

- (A) In the 2003 SIMPIL model TAXCALC worksheet row 202 cell E202, how is total deemed interest calculated?
- (B) Why did Festival not use the maximum deemed interest amount?
- (C) What authority or precedent did Festival rely on when making the calculation?

Interrogatory #12

Ref: Income Tax Returns

- (A) Are all tax years 2001 to 2005 statute-barred?

Interrogatory #13

Ref: Interest Expense for Tax Years 2001 to 2005

For the tax years 2001 to 2005:

- (A) Did Festival have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- (B) Did Festival net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
- (C) Did Festival include interest expense on customer security deposits in interest expense?
- (D) Did Festival include interest income on customer security deposits in interest expense?
- (E) Did Festival include interest expense on IESO prudentials in interest expense?
- (F) Did Festival include interest carrying charges on regulatory assets or liabilities in interest expense?
- (G) Did Festival include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- (H) Did Festival deduct capitalized interest in deriving the interest expense disclosed in its financial statements?
- (I) Please provide Festival's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
- (J) Please provide a table for the years 2001 to 2005 that shows all of the components of Festival's interest expense and the amount associated with each type of interest.

Lost Revenue Adjustment Mechanism ("LRAM")

Interrogatory #14

Ref: Appendix B: Burman Energy LRAM Support Document, Sept. 29, 2011

Burman notes that the sum of all LRAM calculations, including OPA sponsored programs is \$191,652.72 and that this amount is based on lost revenues from programs implemented from 2006-2010 and energy savings that took place in 2010 and 2011.

Burman further notes that the most recent 2010 published program evaluation results were used to calculate 2010 LRAM amounts. It is also noted that adjustments to 2011 estimates may be required to accurately reflect final OPA program evaluation results.

- (A) Please confirm when Festival Hydro's last load forecast was approved by the Board.
- (B) Please identify the savings included in Festival Hydro's last Board approved load forecast, for CDM programs deployed from 2006 to 2010 inclusive.
- (C) Please confirm that Festival Hydro has not collected any LRAM amounts it has requested in this application in past LRAM applications.
- (D) Has Festival Hydro received final 2010 program evaluation results from the OPA?
- (E) If Festival Hydro has received final 2010 program evaluation results from the OPA, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.
- (F) If Festival Hydro has not received final 2010 program results from the OPA, please discuss when Festival Hydro plans on receiving them and how it proposes to update its LRAM amount to reflect the final results.
- (G) Please discuss what adjustments are envisioned to be made to 2011 estimates to accurately reflect final OPA program evaluation results.
- (H) Please discuss why Festival Hydro feels it is appropriate to collect LRAM for 2011 when the year is not yet complete and it is using estimated lost revenue amounts.
- (I) If the OPA subsequently updates its Measures and Assumptions list prior to Festival Hydro filing its next rate application, will Festival Hydro file an updated 2011 LRAM application seeking to recover or refund any variance between the amounts it has requested in this application to the actual verified amounts for 2011? Please discuss the rationale for your response.