



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

DECISION AND RATE ORDER

EB-2016-0070

FESTIVAL HYDRO INC.

Application for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2017.

BEFORE: Allison Duff
Presiding Member

Victoria Christie
Member

December 8, 2016

1 INTRODUCTION AND SUMMARY

This is the Decision and Rate Order for Festival Hydro Inc.'s Incentive Regulation Mechanism application for 2017 rates.

Festival Hydro Inc. (Festival Hydro) serves about 20,000 mostly residential and commercial electricity customers in the City of Stratford and the surrounding towns of St. Marys, Seaforth, Brussels, Dashwood, Hensall and Zurich. The company is seeking the Ontario Energy Board's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

Distributors may choose one of three Ontario Energy Board (OEB) rate-setting methods. Festival Hydro has selected the Price Cap Incentive rate setting (Price Cap IR) option that has a five-year term. Rates are set through a cost of service rebasing application for the first year and are adjusted mechanistically through an Incentive Regulation Mechanism (IRM application) for each of the ensuing four years. The price cap adjustment is based on inflation and the OEB's assessment of a distributor's efficiency.

Festival Hydro filed an IRM application with the OEB on August 15, 2016 to seek approval for changes to its distribution rates to be effective January 1, 2017. Festival Hydro last appeared before the OEB with a cost of service application for 2015 in the EB-2014-0073 proceeding.

The OEB addresses the following issues with respect to Festival Hydro's IRM application in this Decision and Rate Order.

- Price Cap Adjustment
- Regulatory Charges
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account Balance
- Residential Rate Design
- Rate Rider For Recovery Of Permanent Bypass Expenditure
- Earnings Performance In 2015
- Implementation and Order

Festival Hydro applied for a rate increase of 1.45% in accordance with the OEB-approved 2017 parameters for inflation and productivity. The 1.45% price cap adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes; it does not apply to the rates and charges listed in Schedule B.

Festival Hydro also applied to change the composition of its distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. Last year, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.¹ Accordingly, the fixed monthly charge for 2017 has once again been adjusted upward in this Decision by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue distributors collect from residential customers.

This Decision on Festival Hydro's IRM application will result in a monthly rate decrease of \$1.52 for a residential customer consuming 750 kWh.

The OEB approves Festival Hydro's application and the associated rates as adjusted, through this proceeding.

2 THE PROCESS

The OEB follows a standard, streamlined process for IRM applications under Price Cap IR.

The OEB first prepares a rate model that includes information from past proceedings and annual reporting requirements. The distributor then reviews and updates the model and includes it with its application.

On August 15, 2016, Festival Hydro submitted its IRM application supported by written evidence and a completed rate model. OEB staff and Vulnerable Energy Consumers Coalition (VECC) were parties to the proceeding. Festival Hydro responded to questions from these parties to clarify and correct the evidence. Festival Hydro, OEB staff and VECC subsequently made submissions to the OEB regarding the application.

3 ORGANIZATION OF THE DECISION

The OEB has organized this Decision into sections to reflect the issues that were considered in making its findings.² Each section outlines the OEB's reasons for approving or denying the proposals included in the application and affecting 2017 rates.

¹ Board Policy: A New Distribution Rate Design for Residential Electricity Customers, EB-2012-0410, April 2, 2015

² See list of issues in the Introduction, p.1

The last section addresses the steps to implement the final rates that flow from this Decision.

4 PRICE CAP ADJUSTMENT

The price cap adjustment follows an OEB-approved formula that includes annually updated components for inflation and the OEB's expectations of efficiency and productivity gains.³ The formula is an *inflation minus X-factor* rate adjustment, which is intended to incent innovation and efficiency. The OEB has set the inflation factor for 2017 rates at 1.9% based on its established formula.⁴

The X-factors for individual distributors have two parts: a productivity element established from a historical analysis of industry cost performance; and a stretch factor based on a distributor's efficiency relative to its expected costs. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors an incentive to improve efficiency or else experience declining net income.

Based on industry conditions over the historical study period, the productivity factor has been set at zero percent. A stretch factor is assigned based on the distributor's total cost performance as benchmarked relative to other distributors in Ontario. For Price Cap IR applications, a range of stretch factors has been set from 0.0% to 0.6%.⁵ The most efficient distributor, based on the cost evaluation ranking, would be assigned the lowest stretch factor of 0.0%. Higher stretch factors are applied to distributors in accordance with their cost performance relative to expected levels, to reflect the incremental productivity gains that distributors are expected to achieve.

Findings

The OEB assigned Festival Hydro a stretch factor of 0.45% based on the updated benchmarking study for use for rates effective in 2017.⁶ The resulting net price cap adjustment for Festival Hydro is 1.45% (i.e. 1.9% - (0% + 0.45%)).

The 1.45% adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes; it does not apply to the rates and charges listed in Schedule B.

³ Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (December 4, 2013)

⁴ As outlined in the Report cited at footnote 3 above

⁵ Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2015 Benchmarking Update." Pacific Economics Group LLC. July 2016

⁶ As outlined in the Report cited at footnote 5 above

5 REGULATORY CHARGES

Customers are charged a number of fees to cover the costs associated with various programs and wholesale market services.

The Rural or Remote Electricity Rate Protection (RRRP) program is designed to provide financial assistance to eligible customers located in rural or remote areas where the cost of providing electricity service, and therefore the rates, greatly exceeds those elsewhere in the province of Ontario. The RRRP program cost is recovered from all electricity customers in the province through a charge that is reviewed annually and approved by the OEB.

Wholesale market service (WMS) charges recover the cost of the services provided by the Independent Electricity System Operator (IESO) to operate the electricity system and administer the wholesale market. These charges may include costs associated with: operating reserve, system congestion and imports, and losses on the IESO-controlled grid. Individual electricity distributors recover the WMS charges from their customers through the WMS rate.

The Ontario Electricity Support Program (OESP) is a program to deliver on-bill rate assistance to low income electricity customers. All Ontario customers contribute to the OESP through the OESP charge.

These three regulatory charges are components of the Regulatory Charge on customers' bill and are established annually by the OEB through a separate order.

Findings

As of the date of this Decision and Rate Order, the OEB has not yet issued an order on the RRRP, WMS or OESP charges for 2017. The draft Tariff of Rates and Charges flowing from this Decision will reflect the currently-approved charges. When new charges are established for 2017, the OEB will issue a rate order, which will apply to Festival Hydro's 2017 rates.

6 RETAIL TRANSMISSION SERVICE RATES

Electricity distributors use Retail Transmission Service Rates (RTSRs) to pass along the cost of transmission service to their distribution customers. The RTSRs are adjusted annually to reflect the revised costs as calculated by the application of the current Uniform Transmission Rates (UTRs) to historical transmission deliveries. The UTRs are established annually by a separate OEB order. Partially embedded distributors, such as

Festival Hydro, must also adjust their RTSRs to reflect any changes to the applicable RTSRs of their host distributor, which in this case is Hydro One Networks Inc. Distributors may apply to the OEB annually to approve the RTSRs they propose to charge their customers, as Festival has done in this application.

Findings

The OEB approves the RTSRs as adjusted in this application to reflect current applicable rates. As is typical for distributors whose rates are set as of January 1, these RTSRs are based on previous year's rates as the OEB has not yet adjusted UTRs and Hydro One sub-transmission class rates for 2017. The differences between the previous and the new 2017 RTSRs, once approved, will be captured in Accounts 1584 and 1586 for future disposition.

7 GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

Deferral and Variance Accounts

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB's policy⁷ is to review and dispose of the distributor's Group 1 account balances if they exceed (as a debit or credit) the pre-set disposition threshold of \$0.001 per kWh during the IR plan term. The distributor must justify why any account balance in excess of the threshold should not be disposed. The distributor may dispose of balances below this threshold if its proposal to do so is justified.

Festival Hydro's 2015 actual year-end total balance for Group 1 accounts including interest projected to December 31, 2016 is a credit of \$848,382. This amount represents a total credit claim of \$0.0014 per kWh, which exceeds the preset disposition threshold. Festival Hydro proposes to dispose of this credit amount over a one-year period.

⁷ Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (July 31, 2009)

The Group 1 balance includes a Global Adjustment (GA) account credit balance of \$292,025. Ontario electricity customers' costs for the commodity portion of their electricity service reflect the sum of two charges: the price of electricity established by the operation of the IESO administered wholesale market, and the GA. The GA charge consists of the difference between the market price and the rates paid to regulated and contracted generators, and conservation and demand management (demand response) program costs. The GA is established monthly and varies in accordance with market conditions.

Most customers pay the GA charge based on the amount of electricity they consume in a month (kWh); these customers are referred to as Class B. Customers who participate in the Industrial Conservation Initiative, are referred to as Class A. The costs for the GA are recovered from Class A and Class B customers in different ways:

- Class A customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. Distributors settle with Class A customers billed based on the actual GA costs resulting in no variance.
- Class B customers are billed GA based on an IESO published GA price. For Class B customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Under the general principle of cost causality, customer groups that cause variances should be responsible for paying (or receiving credits) for their disposal. The movement from one class to another should not prevent identifiable customers from paying down/receiving a debit/credit balance.

Festival Hydro proposed the recovery of the Global Adjustment variance account credit balance of \$292,025 as at December 31, 2015, including interest to December 31, 2016, as follows:

- \$249,608 to customers who were Class B customers for the entire period from January 2015 to December 2015, through a kWh rate rider.
- \$42,417 to customers formerly in Class B during the January 2015 to June 2015 period who were reclassified to Class A as of July 2015; to be disposed through 12 equal payments to customers.

The Group 1 balance also includes the recovery of Capacity Based Recovery (CBR) costs related to Demand Response (DR) providers contracted under the wholesale

energy market Demand Response 3 (DR3) program. Distributors paid CBR charges to the IESO in 2015 and recorded these to a dedicated sub-account.

The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2015 to December 2015. Festival Hydro, had customers who were part of Class A during this timeframe so requested that the balance of this account should be disposed through a separate kWh rate rider for Class B customers in order to ensure proper allocation between those in Class A and Class B.

As some of the customers were reclassified between Class A and Class B during the period from January 2015 to December 2015, Festival Hydro has requested an additional monthly charge be established to recover a portion of CBR Class B costs from these customers.

The OEB staff submitted that the balances proposed for disposition are the same as the amounts reported as part of the OEB's *Reporting and Record-Keeping Requirements*. Festival Hydro's proposal for a one-year disposition period is in accordance with the OEB's report.

Findings

The OEB approves the disposition of a credit balance of \$848,382 as of December 31, 2015, including interest projected to December 31, 2016 for Group 1 accounts.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

Table 1: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	102,946	2,334	105,280
Smart Meter Entity Variance Charge	1551	(2,350)	49	(2,301)
RSVA - Wholesale Market Service Charge	1580	(516,917)	(19,456)	(536,373)
Variance WMS - Sub-account CBR Class B	1580	142,371	2,047	144,418
RSVA - Retail Transmission Network Charge	1584	36,859	1,840	38,699
RSVA - Retail Transmission Connection Charge	1586	(166,346)	(1,227)	(167,573)
RSVA - Power	1588	(87,308)	2,644	(84,664)
RSVA - Global Adjustment	1589	(289,445)	(2,580)	(292,025)
Disposition and Recovery of Regulatory Balances (2015)	1595	-	(53,844)	(53,844)
Total Group 1 Excluding Global Adjustment - Account 1589		(490,745)	(65,612)	(556,357)
Total Group 1 Excluding Global Adjustment - Account 1589 and Sub-account CBR Class B		(633,116)	(67,659)	(700,775)
Total Group 1		(780,190)	(68,192)	(848,382)

The balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*, effective January 1, 2012. The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Festival

Hydro should ensure these adjustments are included in the reporting period ending March 31, 2017 (Quarter 1).

The OEB approves these balances to be disposed through the following rate riders/charges/payments:

- Deferral and Variance Account Balances (excluding Global Adjustment) Rate Rider
- Class B Global Adjustment Rate Rider
- Reclassified Class A/B Global Adjustment Payment
- Class B Capacity Based Recovery kWh Rate Rider
- Reclassified Class A/B Capacity Based Recovery Charge

The rate riders will be in effect over a one-year period from January 1, 2017 to December 31, 2017.

Global Adjustment

The OEB approves the proposed disposition of the GA credit balance of \$42,417 relating to the customers who were reclassified between Classes A and B. This amount, as of December 31, 2015 and including interest projected to December 31, 2016, will be recovered as part of Group 1 account disposition through a separate payment.

In accordance with EDDVAR, this balance is to be disposed over a one year period from January 1, 2017 to December 31, 2017. Festival Hydro has requested a 12 month disposition period through 12 equal adjustments to bills. The OEB approves the following customer-specific principal and interest amounts to be disposed.

Table 2: Allocation of Global Adjustment Balances to Former Class B Customers

Customer	Customer specific GA allocation for the period prior to becoming Class A	Monthly Equal Payments
Customer 1	-\$ 10,092	-\$ 841
Customer 2	-\$ 12,589	-\$ 1,049
Customer 3	-\$ 11,074	-\$ 923
Customer 4	-\$ 8,662	-\$ 722
Total	-\$ 42,417	

Capacity Based Recovery

Implicit in this approval, the OEB approves the proposed disposition of the CBR-Class B debit balance of \$13,913 relating to the customers who were reclassified between Classes A and B. This amount, as of December 31, 2015 and including interest projected to December 31, 2016, will be recovered as part of Group 1 account disposition through a separate charge.

In accordance with the accounting guidance on capacity based recovery⁸, this balance is to be disposed over a one year period from January 1, 2017 to December 31, 2017. Festival Hydro has requested a 12 month disposition period. The OEB approves the following customer-specific principal and interest amounts to be disposed.

Table 3: Allocation of Capacity Based Recovery to Former Class B Customers

Customer	% of kWh	Customer Specific Sub Account CBR Class B allocation for the period prior to becoming Class A	Monthly Equal Payments
Customer 1	23.79%	3,310.13	275.84
Customer 2	29.68%	4,129.38	344.12
Customer 3	26.11%	3,632.40	302.70
Customer 4	20.42%	2,841.33	236.78
	100.00%		

8 THE LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

As part of the Ministry of Energy's conservation-first strategy, the OEB requires distributors to engage in and deliver conservation and demand management (CDM) activities to reduce total energy consumption. The OEB policy⁹ established a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture the distributor's revenue implications resulting from differences between actual demand and the last OEB-approved load forecast. These differences are to be recorded by distributors at the rate class level.

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM rate application, if the balance is deemed significant by the

⁸ OEB letter dated July 25, 2016 – Accounting Guidance on Capacity Based Recovery

⁹ Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003, dated April 26, 2012)

distributor. Requests for the inclusion of lost revenues from demand response programs as part of the LRAMVA, must be addressed through a cost of service application.¹⁰

Festival Hydro originally requested disposition of its LRAMVA debit balance of \$131,949 in Account 1568. The LRAMVA amount consists of lost revenues in 2015, persisting savings in 2015 from CDM programs delivered between 2011 and 2014, and carrying charges. In response to OEB staff interrogatories, Festival Hydro revised its LRAMVA balance to incorporate adjustments to CDM savings provided by the IESO. This update resulted in a decrease of \$462 and a revised LRAMVA balance of \$131,487. OEB staff supported Festival Hydro's revised LRAMVA debit balance and noted that the LRAMVA balance was calculated in accordance with the CDM Guidelines (EB-2012-0003) and updated LRAMVA policy (EB-2016-0182).

Findings

Festival Hydro's revised LRAMVA balance has been calculated in accordance with the CDM Guidelines and updated LRAMVA policy. The OEB approves the disposition of the LRAMVA debit balance of \$131,487.

Table 4: LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings A	Forecasted CDM Savings B	Carrying Charges C	Total Claim D=(A-B)+C
LRAMVA	1568	\$ 176,967	\$ 46,911	\$ 1,431	\$131,487

9 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB residential rate design policy¹¹ stipulates that electricity distributors will transition residential customers to a fully fixed monthly distribution service charge over a four year period starting in 2016. This year's IRM applications are once again required to adjust the distribution rates to increase the fixed charge and decrease the variable charge consistent with the policy.

¹⁰ Report of the Ontario Energy Board; Updated Policy for the Lost Revenue Adjustment Mechanism Calculation: Lost Revenues and Peak Demand Savings from Conservation and Demand Management Programs (EB-2016-0182, dated May 19, 2016)

¹¹ Ibid page 2

The OEB expects the applicant to apply two tests to evaluate whether mitigation (generally a lengthening of the transition period) for customers in the transition is required. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds \$4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10th percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

Festival Hydro's implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of \$2.67. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB approved Festival's proposed four-year transition to fixed rates in its EB-2015-0069 Decision affecting rates from 2016 to 2020. The OEB finds that the proposed 2017 increase to the monthly fixed charge is in accordance with the OEB's EB-2015-0069 Decision and OEB residential rate design policy. The results of the monthly fixed charge, and total bill impact for low consumption residential consumers show that no mitigation is required. The OEB approves the increase as proposed by the applicant and calculated in the final rate model.

10 RATE RIDER FOR RECOVERY OF PERMANENT BYPASS EXPENDITURE

In Festival Hydro's 2015 Cost of Service (COS) proceeding, EB-2014-0073, the OEB approved the recovery through a rate rider of the costs for a permanent bypass of a Hydro One Networks Inc. (HONI) transformer station. The OEB established the permanent bypass agreement (PBA) rate rider to collect \$1,230,026 over a 31-month period from May 1, 2015 to December 31, 2017. The OEB approved the PBA rate rider on an interim basis, as the final invoiced amounts were not known at the time of the decision. The OEB ordered that the amount be trued-up as part of Festival Hydro's 2016 IRM proceeding.

Festival Hydro had still not received the final invoice by time it submitted its 2016 IRM application (EB-2015-0069). The OEB therefore approved the continuation of the current PBA rate rider in 2016 on an interim basis in the 2016 IRM proceeding. The

OEB ordered that a true-up and rate rider adjustment would be made once the final invoice is received.

In this 2017 IRM application proceeding, Festival Hydro responded to OEB staff interrogatory #5 (a) and filed the final invoice received from HONI dated March 31, 2016 in the amount of \$932,094 (before tax). Festival Hydro calculated that \$750,753 of this final amount would be recovered by the end of 2016 under the existing rider and that there would be \$181,341 remaining for recovery in 2017. Festival Hydro proposed a revised PBA rate rider for 2017 (as highlighted in the table below) to recover the remaining cost by the end of 2017.

Table 5: Rate Rider for Permanent Bypass Agreement (PBA)

Rate Class	2015 CoS Approved - Interim						2017 IRM Proposed
	kWh	kW	Allocation %	Allocated \$	Unit	Rate Rider	Rate Rider
Residential	140,396,363		23.6%	42,880	kWh	0.0008	0.0003
G.S. < 50 kW	64,120,602		10.8%	19,584	kWh	0.0008	0.0003
G.S. 50 kW to 4999 kW	361,168,299	942,723	60.8%	110,309	kW	0.3072	0.1170
Large Use	22,711,894	35,166	3.8%	6,937	kW	0.5179	0.1973
Unmetered Scattered Load	657,094		0.1%	201	kWh	0.0008	0.0003
Sentinel Lights	149,276	353	0.0%	46	kW	0.339	0.1291
Streetlighting	4,532,631	11,925	0.8%	1,384	kW	0.3048	0.1161
Total	593,736,159	990,167	100%	181,341			

VECC and OEB staff submitted no objection to Festival Hydro's request to recover the remaining permanent bypass cost through the proposed final PBA rate rider effective January 1, 2017 to December 31, 2017.

Findings

The OEB approves Festival Hydro's proposed 2017 final rate rider to collect the remainder of the Hydro One Permanent Bypass costs. Festival Hydro shall collect the \$181,341 remaining of the final total \$932,094 (before tax) permanent bypass costs through the proposed final rate rider effective January 1, 2017 to December 31, 2017.

11 EARNINGS PERFORMANCE IN 2015

Section 3.3.5 of Chapter 3 of the Filing Requirements¹² states that, for each of the OEB's three rate-setting options, a regulatory review may be triggered if a distributor's earnings are outside of a dead band of ± 300 basis points from the OEB-approved return on equity. The OEB monitors results filed by distributors as part of their Reporting and Record-keeping Requirements (RRR) and determines if a regulatory review is warranted. A distributor whose earnings are in excess of the dead band is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan. The OEB expects any distributor with earnings in excess of the dead band who applies for an increase to base rates to substantiate its reasons for doing so.

Festival Hydro's 2015 RRR filing 2.1.5.6, showed a 2015 Return on Equity (ROE) of 14.24%; 194 basis points in excess of the 300 basis points dead band (i.e. 494 basis points over the approved ROE of 9.3%). Festival Hydro applied for the Price Cap adjustment to its base rates in its current 2017 IRM application. As per OEB policy, Festival Hydro was expected to justify its application for this increase given the overearning (i.e. the ROE outside the dead band) reported for 2015.

Festival Hydro indicated in its application that the disposition of the Incremental Capital Module (ICM) rate rider was the major contributor to the overearning. In its response to OEB staff interrogatory #8 and VECC interrogatories #2 and #3, Festival Hydro explained it collected \$1,389,599 in distribution revenue from May 1, 2013 to April 30, 2015 from the disposition of the ICM variance account. Festival Hydro collected an additional \$529,558 in distribution revenues from June 1, 2015 to December 31, 2015 related to the disposition of the residual balance (less ICM carrying charges and ICM depreciation expense) in the 1508 variance account through an ICM rate rider. The 2015 riders were approved by the OEB in Festival Hydro's 2015 COS proceeding, EB-2014-0073.

To adjust for the ICM revenues, Festival Hydro recalculated the 2015 Regulatory ROE by removing the ICM related revenues of \$1,299,999 (i.e. the total net of ICM carrying charges and ICM depreciation expenses). The resulting ROE was reduced to 10.41%, which was below the 300 basis points dead band.

Festival Hydro didn't expect overearnings beyond 2015 as the ICM rate riders ended as of December 31, 2015. Festival Hydro therefore felt justified in requesting a base rates adjustment in its 2017 IRM proceeding.

¹² Filing Requirements For Electricity Distribution Rate Applications; Chapter 3 Incentive Rate-Setting Applications, issued July 14, 2016, page 23

VECC submitted that it did not oppose Festival Hydro's 2017 Price Cap adjustment to its base rates.

OEB staff submitted that Festival Hydro overstated the ICM revenue amount in the recalculation. OEB staff argued that Festival Hydro should remove the net ICM distribution revenue collected for the period from May 1, 2013 to December 31, 2014 from the 2015 ROE calculation. Although the distributor had not recognised these revenues until 2015, they do not belong in the 2015 ROE calculation. Festival Hydro's recalculation of ROE should only consider the ICM revenues incurred from January 1, 2015 to April 30, 2015, plus the share attributed to this period of the amounts collected under the ICM rate rider from June 1, 2015 to December 31, 2015. OEB staff submitted that it would not oppose Festival Hydro's request for the base rates adjustment for 2017 if a recalculation with the above adjustment yielded an ROE within the dead band.

In its reply submission, Festival Hydro agreed with OEB staff that it had erred, and recalculated the 2015 ROE including only the net ICM revenues from the year 2015. Festival Hydro's recalculation yielded a 2015 ROE of 11.67%, which is within 300 basis points dead band. With these results, Festival Hydro requested the OEB approve the maximum adjustment to its base rates.

Findings

The OEB approves Festival Hydro's request for an adjustment to 2016 base rates under the 2017 IRM proceeding. The OEB agrees that the 2015 ROE should consider the net Incremental Capital Module revenues for the year 2015 only. The OEB has reviewed the data and calculations provided and is confident that a revised 2015 ROE would fall within the dead band, indicating that the Festival Hydro did not over-earn in that year. The OEB finds that the 2017 IRM adjustment is justified.

12 IMPLEMENTATION AND ORDER

Rate Model

This Decision and Rate Order is accompanied by a Tariff of Rates and Charges (Schedule A). Entries in the rate model and applicable supporting models were reviewed to ensure that they are in accordance with Festival Hydro's EB-2014-0073 cost of service decision, the 2016 OEB-approved Tariff of Rates and Charges as well as the cost, revenue and consumption results from 2015 as reported by Festival Hydro to the OEB. The rate model was adjusted, where applicable, to correct any discrepancies.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Festival Hydro Inc.'s new distribution rates shall be effective January 1, 2017.
2. The Tariff of Rates and Charges set out in Schedule A shall be deemed *draft* until the parties have complied with the subsequent procedural steps.
3. Festival Hydro Inc. shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, within **7 days** of the date of issuance of this Decision and Rate Order.
4. This Decision and Rate Order will be considered final if Festival Hydro Inc. does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 3. Festival Hydro Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
5. If the OEB receives a submission from Festival Hydro Inc. to the effect that inaccuracies were found or information was missing pursuant to item 3, the OEB will consider the submission prior to revising and issuing a final Tariff of Rates and Charges.

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. Vulnerable Energy Consumers Coalition shall submit to the OEB and copy Festival Hydro Inc. its cost claims no later than **7 days** from the date of issuance of this Decision and Rate Order.
2. Festival Hydro Inc. shall file with the OEB and forward to Vulnerable Energy Consumers Coalition any objections to the claimed costs within **17 days** from the date of issuance of this Decision and Rate Order.
3. Vulnerable Energy Consumers Coalition shall file with the OEB and forward to Festival Hydro Inc. any responses to any objections for cost claims within **24 days** from the date of issuance of this Decision and Rate Order.

4. Festival Hydro Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2016-0070 and be made electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/> in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

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

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, December 8, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2016-0070

DATED: December 8, 2016

Festival Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2016-0070

RESIDENTIAL SERVICE CLASSIFICATION

A customer is classed as residential when all the following conditions are met:

- (a) the property is zoned strictly residential by the local municipality,
- (b) the account is created and maintained in the customer's name,
- (c) the building is used for dwelling purposes.

Exceptions may be made for properties zoned for farming use, under the following conditions:

- (a) the principal use of the service is for the residence,
- (b) the service size is 200 amperes or less, and the service is 120/240 volt single phase.

Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	22.20
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate	\$/kWh	0.0084
Low Voltage Service Rate	\$/kWh	0.0004
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	\$/kWh	0.0002
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	(0.0012)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kWh	0.0003
Rate Rider for Disposition of Capacity Based Recovery - Applicable only for Class B Customers - effective until December 31, 2017	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0069
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0045

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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ONTARIO ELECTRICITY SUPPORT PROGRAM RECIPIENTS

In addition to the charges specified on page 1 of this tariff of rates and charges, the following credits are to be applied to eligible residential customers.

APPLICATION

The application of the charges are in accordance with the Distribution System Code (Section 9) and subsection 79.2(4) of the Ontario Energy Board Act, 1998.

The application of these charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

In this class:

“Aboriginal person” includes a person who is a First Nations person, a Métis person or an Inuit person;

“account-holder” means a consumer who has an account with a distributor that falls within a residential-rate classification as specified in a rate order made by the Ontario Energy Board under section 78 of the Act, and who lives at the service address to which the account relates for at least six months in a year;

“electricity-intensive medical device” means an oxygen concentrator, a mechanical ventilator, or such other device as may be specified by the Ontario Energy Board;

“household” means the account-holder and any other people living at the accountholder’s service address for at least six months in a year, including people other than the account-holder’s spouse, children or other relatives;

“household income” means the combined annual after-tax income of all members of a household aged 16 or over;

MONTHLY RATES AND CHARGES

Class A

- (a) account-holders with a household income of \$28,000 or less living in a household of one or two persons;
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of three persons;
 - (c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of five persons; and
 - (d) account-holders with a household income of between \$48,001 and \$52,000 living in a household of seven or more persons;
- but does not include account-holders in Class E.

OESP Credit \$ (30.00)

Class B

- (a) account-holders with a household income of \$28,000 or less living in a household of three persons;
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of four persons;
 - (c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of six persons;
- but does not include account-holders in Class F.

OESP Credit \$ (34.00)

Class C

- (a) account-holders with a household income of \$28,000 or less living in a household of four persons;
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of five persons;
 - (c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of seven or more persons;
- but does not include account-holders in Class G.

OESP Credit \$ (38.00)

Class D

- (a) account-holders with a household income of \$28,000 or less living in a household of five persons; and
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of six persons;
- but does not include account-holders in Class H.

OESP Credit \$ (42.00)

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Class E

Class E comprises account-holders with a household income and household size described under Class A who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (45.00)

Class F

(a) account-holders with a household income of \$28,000 or less living in a household of six or more persons;
(b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of seven or more persons; or
(c) account-holders with a household income and household size described under Class B who also meet any of the following conditions:

- i. the dwelling to which the account relates is heated primarily by electricity;
- ii. the account-holder or any member of the account-holder's household is an Aboriginal person; or
- iii. the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates

OESP Credit \$ (50.00)

Class G

Class G comprises account-holders with a household income and household size described under Class C who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (55.00)

Class H

Class H comprises account-holders with a household income and household size described under Class D who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person ; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (60.00)

Class I

Class I comprises account-holders with a household income and household size described under paragraphs (a) or (b) of Class F who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

OESP Credit \$ (75.00)

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GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non residential account whose peak demand is less than 50 kW based on the process for and frequency for reclassification as outlined in Section 2.5 of the Distribution System Code. For a new customer without prior billing history, the kW peak demand will be estimated by Festival Hydro Inc. to determine the proper rate classification. Customers who are classed as General Service but consider themselves eligible to be classed as Residential must provide Festival Hydro Inc. with a copy of their tax assessment, which clearly demonstrates the zoning is for residential use only. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in Festival Hydro Inc.'s Conditions of Service.

APPLICATION

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It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	31.62
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.79
Distribution Volumetric Rate	\$/kWh	0.0157
Low Voltage Service Rate	\$/kWh	0.0003
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	\$/kWh	0.0007
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	(0.0012)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kWh	0.0003
Rate Rider for Disposition of Capacity Based Recovery - Applicable only for Class B Customers - effective until December 31, 2017	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0041

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification refers to a non residential account whose peak demand is equal to or greater than 50 kW but less than 5,000 kW based on the process for and frequency for reclassification as outlined in Section 2.5 of the Distribution System Code. For a new customer without prior billing history, the kW peak demand will be estimated by Festival Hydro Inc. to determine the proper rate classification. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in Festival Hydro Inc.'s Conditions of Service.

APPLICATION

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The rate rider for the disposition of Class B WMS – Sub-account CBR (2017) is not applicable to wholesale market participants (WMP) and customers that transitioned between Class A and Class B in 2015. These transition customers are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied in accordance with a customer's Class A or Class B classification as at December 31, 2015 and the above noted exception for 2015 transition customers, for the entire period to the sunset date of the rate rider.

The rate rider for the disposition of Global Adjustment (2017) is only applicable to non-RPP Class B customers. It is not applicable to WMP and customers that transitioned between Class A and Class B in the period of last Global Adjustment disposition to 2015. These transition customers are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied in accordance with a customer's Class A or Class B classification as at December 31, 2015 and the above noted exception for 2015 transition customers, for the entire period to the sunset date of the rate rider.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	234.67
Distribution Volumetric Rate	\$/kW	2.5334
Low Voltage Service Rate	\$/kW	0.1365
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	\$/kW	0.0509
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017 Applicable only for Non-Wholesale Market Participants	\$/kW	(0.4029)
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kW	(0.0475)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kW	0.1170

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Rate Rider for Disposition of Capacity Based Recovery - Applicable only for Class B Customers - effective until December 31, 2007	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kW	2.5405
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.6744
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	2.6985
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	1.8356

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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LARGE USE SERVICE CLASSIFICATION

This classification refers to non-residential accounts whose monthly peak demand is equal to or greater than 5,000 kW, based on the process for and frequency for reclassification as outlined in Section 2.5 of the Distribution System Code. For a new customer without prior billing history, the kW peak demand will be estimated by Festival Hydro Inc. to determine the proper rate classification. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in Festival Hydro Inc.'s Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of Global Adjustment (2017) is only applicable to non-RPP Class B customers. It is not applicable to WMP and customers that transitioned between Class A and Class B in the period of last Global Adjustment disposition to 2015. These transition customers are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied in accordance with a customer's Class A or Class B classification as at December 31, 2015 and the above noted exception for 2015 transition customers, for the entire period to the sunset date of the rate rider.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	11,223.89
Distribution Volumetric Rate	\$/kW	1.1677
Low Voltage Service Rate	\$/kW	0.1579
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	\$/kW	0.1777
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kW	(0.7019)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kW	0.1973
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	2.9878
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.0991

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, pedestrian cross-walk signals/beacons, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	8.30
Distribution Volumetric Rate	\$/kWh	0.0085
Low Voltage Service Rate	\$/kWh	0.0003
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kWh	(0.0011)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kWh	0.0003
Rate Rider for Disposition of Capacity Based Recovery - Applicable only for Class B Customers - effective until December 31, 2017	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0041

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	2.29
Distribution Volumetric Rate	\$/kW	12.2268
Low Voltage Service Rate	\$/kW	0.0994
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kW	(0.3856)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kW	0.1291
Retail Transmission Rate - Network Service Rate	\$/kW	1.9258
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.3216

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved Ontario Energy Board street lighting load shape template. If connected to the municipal or the Province of Ontario street lighting system, decorative lighting and tree lighting services will be treated as a Street Lighting class of service. Decorative or tree lighting connected to Festival Hydro Inc.'s distribution system will be treated as a General Service Less Than 50 kW class customers. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per light)	\$	1.14
Distribution Volumetric Rate	\$/kW	3.4175
Low Voltage Service Rate	\$/kW	0.0974
Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	\$/kWh	(0.0008)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	\$/kW	0.3989
Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	\$/kW	(0.4641)
Rate Rider for Recovery of Permanent Bypass Expenditure - effective until December 31, 2017	\$/kW	0.1161
Rate Rider for Disposition of Capacity Based Recovery - Applicable only for Class B Customers - effective until December 31, 2017	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kW	1.9160
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.2945

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

Festival Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2016-0070

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	5.40
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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses - applied to measured demand and energy	%	(1.00)

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SPECIFIC SERVICE CHARGES**APPLICATION**

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No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Customer Administration

Arrears certificate	\$	15.00
Income tax letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

Non-Payment of Account

Late payment - per month	%	1.50
Late payment - per annum	%	19.66
Collection of account charge - no disconnection - during regular hours	\$	30.00
Disconnect/reconnect charge - at meter during regular hours	\$	65.00
Disconnect/reconnect charge - at meter after hours	\$	185.00
Disconnect/reconnect at pole - during regular hours	\$	185.00
Disconnect/reconnect at pole - after regular hours	\$	415.00
Install/remove load control device - during regular hours	\$	65.00
Install/remove load control device - after regular hours	\$	185.00

Other

Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service install & remove - overhead - no transformer		Time & materials
Temporary service install & remove - underground - no transformer		Time & materials
Temporary service install & remove - overhead - with transformer		Time & materials
Specific charge for access to the power poles - per pole/year (with the exception of wireless attachments)	\$	22.35

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RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	\$	no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0291
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0176
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0188
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0075

Schedule B

To Decision and Rate Order

List of Rates and Charges Not Affected by the Price Cap or Annual IR Index

OEB File No: EB-2016-0070

DATED: December 8, 2016

The following rates and charges are not affected by the Price Cap or Annual IR Index:

- Rate riders
- Rate adders
- Low voltage service charges
- Retail transmission service rates
- Wholesale market service rate
- Rural or remote electricity rate protection charge
- Standard supply service – administrative charge
- Ontario Electricity Support Program
- Transformation and primary metering allowances
- Loss factors
- Specific service charges
- microFIT charge
- Retail service charges