September 15, 2009

Ontario Energy Board
2300 Yonge Street, Floor
Toronto ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

Dear Kirsten:

RE: Festival Hydro Inc.: Report on Notification re: Eligibility for the Regulated Price Plan EB-2009-0317

Enclosed please find two paper copies of Report on Notification re: Eligibility for the Regulated Price Plan. An electronic copy has been submitted today as well via RESS.

Please contact Debbie Reece at 519-271-4703 x. 268 if you have any questions regarding Festival Hydro's plan to educate customers on pricing options.

Yours truly,
Festival Hydro Inc.

W. G. Zehr
President

Report on Notification re: Eligibility for the Regulated Price Plan

To prepare Festival Hydro's MUSH and other designated customers for the move from the Regulated Price Plan (RPP) to Ontario's market price, the following activities have been completed or are in the process of being completed:

1. Seminar Presentation by the IESO

On Tuesday, March 10, 2009, a seminar was presented by the IESO specially addressing the move from the regulated price plan to hourly pricing, which was originally to take place April 1, 2009. Attached is a copy of the invitation sent out.

Festival Hydro invited MUSH and other designated customers in the General Service > 50 kW category. To encourage participation, senior managers from Festival Hydro also phoned the invited customers to encourage higher participation rates. The turnout was excellent, with 20 participants present from 17 companies. The presenters from the IESO commented on the high rate of participation Festival Hydro was able to achieve compared to many larger centers where they did similar presentations.

At that same presentation, a representative from Festival Hydro addressed the Electricity Retrofit Incentive Program (ERIP) program, to encourage their participation. Also, a representative form Utilismart did a presentation on their settlement software which allows interval metered customers to access and analyze their electrical usage and pricing data through a secure website. The focus of their presentation was on how customers could make use of this data in order to make better consumption and pricing decisions.

An email was subsequently sent to all participants to advise that the end date for RPP pricing was changed from May 1, 2009 to November 1, 2009.

2. Letters to be sent to MUSH and designated customers

Festival Hydro will be sending out the week of September 14, 2009 a letter to affected customers (i.e. General Service > 50 kW, with usage greater than 250,000 kWh per year) who are MUSH and designated customers to advise they will no longer be billed the RPP rate starting November 1, 2009.

Festival Hydro has produced a list of all current MUSH and designated customers who are in the General Service > 50 kW rate class. From the list, Festival Hydro will remove those customers who fall under the other eligibility provisions of Ontario Regulation 95/05. This will create a list of customers who need to be contacted.

Two different letters will be sent depending on whether they are currently on RPP pricing or with a retailer:

- **Affected customers currently on RPP Pricing** - For those affected customer still on RPP pricing, Festival Hydro will be sending a letter the week of September 14, 2009 to advise that pricing under the RPP plan will cease October 31, 2009. In the letter we will also inform them of the following:
  - the pricing the customer will be subject to (hourly electricity pricing or weighted average electricity pricing),
  - an estimate of the final settlement variance the customer will be subject to, based on most recent billing data,
  - for those without an interval meter, advise that they have the option to request an interval meter, in order to receive the hourly energy pricing and to contact Festival Hydro's Engineering Department for an estimate cost to install an interval meter.
  - to contact Festival Hydro if they require further assistance, or to refer to the IESO website for more information.

  A copy of the IESO's pamphlet called "What you need to know about changes to Electricity Prices coming November 1, 2009" will be included in the mailing along with the letter. The pamphlets are already on hand from the IESO ready for mailing. We will also be sending copies of selected pages from the IESO's website regarding the provincial benefit and interval metering (which are attached).

  Festival Hydro has a very limited number of customers who will be impacted. Most of the municipalities, school boards and hospitals in our service territory are now with retailers.

  Festival Hydro has installed interval meters for all customers with monthly kW demand of 200 kW or greater, so we do not anticipate many requesting interval meter installations.

- **Affected customers currently with retailers –** For affected customers currently with retailers, Festival Hydro will be sending a letter to advise that should their contract with a retailer cease on or after November 1, 2009, that upon the end of the contract they will be no longer be eligible for RPP pricing. A copy of the IESO's pamphlet called "What you need to know about changes to Electricity Prices coming November 1, 2009" will be included in the mailing along with the letter.

Attached is a copy of the sample letters being sent to affected customers.

September 11, 2009

Letter to customer on RPP pricing (i.e. not with a retailer)

Dear Customer,

Changes in Electricity Commodity Prices Coming November 1, 2009

Starting November 1, 2009, certain customers who are still on the Regulated Price Plan (RPP) will no longer be billed RPP pricing (i.e. the fixed two tiered pricing). Starting in November 2009, these customers will pay Ontario's market price for the energy (commodity) portion of their bill at either the hourly electricity price (those with interval meters) or a weighted average electricity price.

According to our records you are a designated customer who is receiving the RPP pricing. The rates for RPP pricing is currently at 5.7 cents per kWh for the first 750 kWh used in a month and 6.6 cents per kWh over 750 kWh. Since you will no longer be eligible for RPP pricing after November 1, 2009, we are writing to advise you of your options.

If there is an interval meter installed it will say….
Since you have an interval meter which reads your electrical consumption in hourly intervals, you will be subject to hourly electricity pricing. In addition, you will be required to pay the provincial benefit charge. The combined energy price, based on average hourly pricing and the provincial benefit, year to date to August 31, 2009 has been 5.82 cents per kWh. This hourly price fluctuates based on factors such as weather, available generation, and consumption patterns. Note that the 2009 year to date price has been lower than usual due to lower than normal demand in Ontario, good generation supply and favourable weather conditions.

If there is no interval meter installed it will say…,
Since you do not currently have an interval meter to read your electrical consumption in hourly intervals, you will be subject to weighted average hourly pricing, which is based on the consumption pattern of consumers in the area. In addition, you will be required to pay the provincial benefit charge. The combined energy price, based on average hourly pricing and the provincial benefit, year to date to August 31, 2009 has been 5.82 cents per kWh. This hourly price fluctuates based on factors such as weather, available generation, and consumption patterns.

In order to take advantage of pricing for your specific hourly usage (rather than the hourly average of all consumers in our service area) an interval meter can be installed. This may be advantageous especially if your electricity use is higher at off-peak times. However, there will be a cost to install this meter. Please contact Festival Hydro's Engineering department to get an estimate of that cost. Enclosed is a page from the

Independent Electricity System Operator's (IESO) webpage titled Interval Meter Checklist, which should assist in your decision on the installation of an interval meter.

Your second option is to enter into a contract with an electrical retailer. Contracts add a degree of certainty as you lock in your electricity price for a term. Note that retail contracts only cover the cost of the electricity commodity. They do not cover the cost of the provincial benefit, delivery or other charges.

Regardless of the pricing option selected, when RPP pricing terminates in November 2009 you will be eligible for a final settlement variance amount. Based on the factors in place at August 31, 2009, you will be eligible for a payment (charge) of approximately $xx. This will appear on your November 2009 bill.

In order to assist you in making your decision, we have included the following information:

- A pamphlet from the IESO called "What you need to know about changes to electricity prices coming November 1, 2009".
- Pages from the IESO website on the Provincial Benefit including a provincial benefit FAQ sheet.

We recommend you refer to the IESO Website at .ieso. to obtain a better understanding of Ontario electricity market and the options available to you. You may also contact me directly at 519-271-4703 x.268 and Festival Hydro will assist you on understanding the implications of these changes on your electricity pricing. **If we do not hear from you before November 1, 2009 the pricing will automatically default to hourly electricity price (for those with interval meters) or a weighted average electricity price (for those without interval meters).**

Yours truly,

Debbie Reece
Festival Hydro Inc.

September 11, 2009

Letter to customer formerly on RPP pricing but now with a retailer

Dear Customer,

Changes in Electricity Commodity Prices Coming November 1, 2009

Starting November 1, 2009, certain customers who are still on the Regulated Price Plan (RPP) will no longer be billed RPP pricing (i.e. the fixed two tiered pricing). Starting in November 2009, these customers will pay Ontario's market price for the energy (commodity) portion of their bill at either the hourly electricity price (those with interval meters) or a weighted average electricity price.

As a customer with a retail contract you have no decision to make at this time as long as your retailer contract is in place. Should your contract with an electricity retailer cease on or after November 1, 2009, you will then be subject to either the hourly electricity price (those with interval meters) or a weighted average electricity price. RPP pricing will no longer be available.

Should your electricity contract cease and if you have an interval meter which reads your electrical consumption in hourly intervals, you will be subject to hourly electricity pricing. In addition, you will be required to pay the provincial benefit charge. The combined energy price, based on average hourly pricing and the provincial benefit, year to date to August 31, 2009 has been 5.82 cents per kWh. This hourly price fluctuates based on factors such as weather, available generation, and consumption patterns. Note that the 2009 year to date price has been lower than previous years due to lower than normal demand in Ontario, good generation supply and favourable weather conditions.

Should your electricity contract cease and if you do not have an interval meter to read your electrical consumption in hourly intervals, you will be subject to weighted average hourly pricing, which is based on the consumption pattern of consumers in the area. In addition, you will also be required to pay the provincial benefit charge. The combined energy price, based on average hourly pricing and the provincial benefit, year to date to August 31, 2009 has been 5.82 cents per kWh. This hourly price fluctuates based on factors such as weather, available generation, and consumption patterns.

In order to take advantage of pricing for your specific hourly usage (rather than the hourly average of all consumers in our service area) an interval meter can be installed. This may be advantageous if your electricity use is higher at off-peak times. However, there will be a cost to install this meter. Please contact Festival Hydro's Engineering department to get an estimate of that cost. Also enclosed is a page from the Independent Electricity System Operator's (IESO) webpage titled Interval Meter Checklist, which should assist in your decision on the installation of an interval meter.

Enclosed is a pamphlet from the IESO which explains the forthcoming changes in the electricity market. The pamphlet is called "What you need to know about changes to electricity prices coming November 1, 2009". We have also enclosed pages from the IESO website regarding the Provincial Benefit, including a provincial benefit FAQ sheet, so you can better understand this charge.

We recommend you refer to the IESO Website at .ieso. to obtain a better understanding of Ontario electricity market and the options available to you. **As noted before, no action is required at this time as the terms of your retailer contract are not impacted.** You may contact me directly at 519-271-4703 x.268 should you have any questions.

Yours truly,

Debbie Reece
Festival Hydro Inc.

Additional materials attached:

1. Copy of invitation to IESO's Consumer Breakfast Series
2. Copy of IESO Website – Provincial Benefit FAQ
3. Copy of IESO Website – Provincial Benefit
4. Copy of IESO Website – Interval Meter Checklist

This Consumer Breakfast Series is an opportunity for public sector organizations and other designated customers to learn more about the move from the regulated price plan to hourly electricity prices effective May 1, 2009. This change will affect accounts with a demand greater than 50 kilowatts - which is equivalent to an electricity bill of approximately $2,000 per month.

The Forum is intended to be an inclusive session for the exchange of ideas and information. Sign up now to learn how other public sector customers have saved money by moving to the hourly price for electricity.

WHO SHOULD ATTEND?

- Senior executives and elected officials from all facets of Ontario's public sector
- Engineers, energy managers, facility managers, operations managers

WHY SHOULD YOU ATTEND?

- To better understand the move to hourly pricing effective May 1, 2009
- To understand Ontario's electricity sector
- To learn about incentive programs and how to reduce energy costs

FOR FURTHER INFORMATION PLEASE CONTACT:

Kristen Reynolds
Independent Electricity System Operator
Tel.: 416-506-2808
kristen.reynolds@ieso.ca

IESO Consumer Breakfast Series

for Ontario's Public Sector

Tuesday, March 10, 2009
7:30 a.m. to 10:00 a.m.
Arden Park Hotel
552 Ontario Street
Stratford, ON

SPEAKER DETAILS

Topics to be covered include:

- Ontario's electricity market
- Market pricing
  - regulated price plan
  - hourly price
  - moving from the regulated price plan to hourly pricing on May 1, 2009
- System reliability and demand response
- Interval meters and data management
- Electricity Retrofit Incentive Program (ERIP)

Speakers from:

- **Independent Electricity System Operator (IESO)**
  Alexandra Campbell, *Manager, Corporate Communications*
- **Festival Hydro Inc.**
  Irene McInnes,Billing and Collections Manager
- **Utilismart Corporation**

PLEASE REGISTER

A full breakfast will be provided at 7:30 a.m. with presentations beginning at 8:00 a.m. Although the session is complimentary, pre-registration is required. Please complete the form below and fax to 416-506-2847 or email it to kristen.reynolds@ieso.ca

Name: ______________________

Title: ______________________

Company: ______________________

Address: ______________________

____

Phone: ______________________ Fax: ______________________

Email: ______________________

ieso
Power to Ontario. On Demand.

Festival Hydro

PROVINCIAL BENEFIT

If you pay the wholesale or a retail contract price your electricity bill includes adjustments that will affect the final commodity price you pay.

The IESO updates information on the Provincial Benefit for consumers on a monthly basis. Consumers who receive these adjustments may check these pages to get an idea of what their final electricity costs may be.

Provincial Benefit

The Ontario government has put in place an adjustment to commodity prices called a "Provincial Benefit," which appears on the bill. If you have a contract with a licensed retailer or you consume more than 250,000 kWh per year and pay the wholesale price, the Provincial Benefit will be a part of your electricity bill. This adjustment accounts for differences between the market price and rates paid to regulated and contracted generators.

The Provincial Benefit is set to reflect the difference between market prices and:

- The regulated rate paid to Ontario Power Generation's baseload generating stations.
- Payments made to suppliers that were awarded contracts through the Ontario Power Authority. These include new gas-fired facilities, renewable facilities (like wind farms) and demand response programs.
- Contracted rates paid to Non-Utility and other Generators.

The Provincial Benefit may be a positive or negative number, depending on whether the market price is lower or higher than the fixed rates. Note the amount that appears on your bill may be different than the figures seen below, taking into account the period of time covered in your bill.

To date, the Provincial Benefit has been an adjustment of:

2009	Rate (¢/kWh)	2008	Rate (¢/kWh)	2007	Rate (¢/kWh)
January	+1.21	January	+0.41	January	+1.02
February	+0.52	February	+0.91	February	+0.70
March	+0.95	March	+0.36	March	-0.57
April	+3.02	April	+0.14	April	-0.05
May	+3.98	May	+0.55	May	+0.46
June	+2.79	June	+1.44	June	+0.98
July	+3.50	July	-0.03	July	+0.61
August	+4.33	August	+0.35	August	+0.62
September	+3.36	September	+0.78	September	+0.03
October		October	+0.29	October	+0.50
November		November	+0.78	November	+0.33
December		December	+0.39	December	+0.63

2006	Rate (¢/kWh)	2005	Rate (¢/kWh)
January	-1.45	January	-0.01
February	-0.35	February	-0.01

HOW TO CALCULATE YOUR BOTTOM LINE

Please note that the figures below are provided as a guide only and will vary by utility (in ¢/kWh).

	Aug 2009	YTD*
Average Hourly Price	2.88	3.28
Provincial Benefit	4.33	2.54
Your Bottom Line	7.21	5.82

* Data since January 1, 2009

Provincial Benefit FAQ

Notes:

- The Hourly Price is a weighted average based on Ontario demand. The commodity charge on your bill will reflect either the weighted average within your utility's service area, or if you have an interval meter, your own consumption pattern. Please be aware that most utilities use two-month billing cycles.
- Negative Provincial Benefit denotes a credit or to be paid out, a positive number denotes a debit or a charge.

PROVINCIAL BENEFIT FAQ

Here are answers to some commonly asked questions about the Provincial Benefit.

What is the Provincial Benefit?
The Provincial Benefit ensures reliability by providing adequate generating capacity for Ontario. It accounts for differences between the spot market price and the rates paid to regulated and contracted generators. As a result, its value may be positive or negative, depending on the fluctuation of prices in the spot market.

The rate is set to reflect the difference between the spot market price and:

- The regulated rate paid to Ontario Power Generation's baseload generating stations;
- Payments made to suppliers that have been awarded contracts through the Ontario Power Authority. These include new gas-fired facilities, renewable facilities (like wind farms) and demand response programs; and
- Contracted rates paid to Non-Utility Generators.

Who is affected by the Provincial Benefit?
This adjustment applies to business customers who pay the spot market price and customers who have signed a contract with a licensed electricity retailer. It appears as a separate line on the bill. For customers who pay the Regulated Price Plan, it is factored into the rate set by the Ontario Energy Board, and does not appear as a separate line item.

Why does the Provincial Benefit vary from month to month?
The Provincial Benefit has increased and decreased in response to changes in the spot market prices. So far in 2009, the spot market price has been unusually low. This has been a result of low demand (due to the economy and the weather) and good availability of generation. The Provincial Benefit has been higher in order to cover the additional costs of the contracted and other regulated generation.

Once both costs are factored together – the wholesale price of electricity has remained reasonably constant.

	January	**February**	**March**	**April**	**May**	**June**	**July**
Spot Market Price	5.32	4.72	2.89	1.84	2.78	2.28	1.90
Provincial Benefit	1.21	0.52	0.95	3.02	3.98	2.79	3.50
Total (¢/kWh)	6.53	5.24	3.84	4.86	6.67	5.07	5.40

How will I know what the Provincial Benefit is?
The Independent Electricity System Operator provides monthly updates on the most recent Provincial Benefit calculations.

Who do I call if I have other questions?
Customers who would like to make a complaint can contact the Ontario Energy Board. The Ontario Energy Board also offers information about your energy options.

INTERVAL METER CHECKLIST

The type of meter you have can determine how you are charged for electricity. Many businesses and large organizations in Ontario have interval meters which measure peak demand, how much electricity is being used and when it is being used. If you are a consumer with demand over 50 kW (approximately equivalent to an electricity bill of $2000 per month) and you have an interval meter then you are paying the hourly Ontario energy price. This means you pay a different price for electricity every hour of the day.

If you have an interval meter you may be able to get access to your business's hourly electricity profile from your local distribution company. The meter data can help you monitor and manage your energy consumption by showing you:

- when and how often you reach a demand peak which sets all your delivery charges for the month;
- whether your energy use coincides with the most expensive times of the day;
- how your electricity use varies from day to day, shift to shift and month to month which may help identify wasteful practices or energy-savings opportunities and
- how high your 'baseload' use is or how much electricity is being used when your business is shut down overnight or on the weekends.

Businesses that use over 50 kW in demand without interval meters are billed a weighted average price (based on the average usage pattern in your local distribution company's service area).

Here are some questions that can help you determine whether switching to an interval meter is the right choice for your organization.

- **Can you shift some of your energy use to other times of the day?**

  If you have the flexibility to reschedule your production to different times of the day, you can easily reduce your electricity costs. Prices are typically lower in the early morning, late evening, and on weekends. Interval meters allow your company to take advantage of fluctuations in price.

- **How does your energy consumption compare to the weighted average price in your local distribution company's service area?**

  The wholesale price you are charged by the utility is weighted by the consumption patterns of your community. If consumers in your area use more electricity at times when prices are higher, this will result in a higher weighted average. Yet most companies have quite different consumption patterns. Some run 24 hours a day which means they are using more electricity at cheaper times. A banquet hall, for example, tends to use more electricity in the evening and on the weekend, when prices are typically lower. If your company uses more electricity at lower-priced times of the day, you may be paying more for your energy than you need to.

  The way to determine how much you could potentially save by using an interval meter is to compare your company's consumption pattern against that of your local distribution company's service area (their Net System Load Shape). Your local distribution company can provide information about the Net System Load Shape in your area and how interval meters can help you better manage your electricity costs.

Comparing Energy Costs

In this example, the cost of electricity for a company that uses an interval meter is

RELATED INFORMATION

Smart meters track hourly usage and will be installed in all homes and small businesses across the province by 2010.

Small businesses that use less than 250,000 kWh a year will receive a smart meter and will pay time-of-use rates under the Regulated Price Plan which are lower overnight and on weekends.

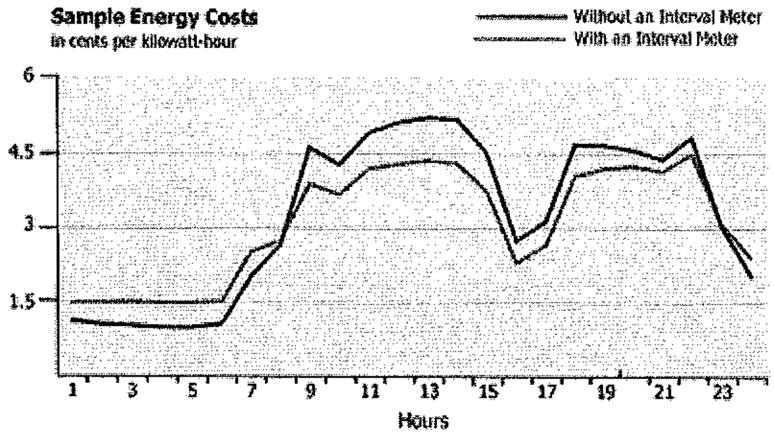
Electricity Pricing in Ontario

Why wholesale prices fluctuate

How the wholesale price is determined

Managing your energy wisely

compared to how much that same company would pay based on a weighted wholesale price charged to all that utility's wholesale customers. The utility buys electricity on behalf of the entire community it serves - typically purchasing more electricity at high-demand times when prices are higher. These prices are then averaged out over the billing period and passed on to its customers. Without hourly consumption information from its customers, the weighted wholesale price assumes that all customers use electricity in exactly the same way at the same times of day.



Here, a company's electricity consumption stays the same throughout the day (in this case, just over 500 kWh each hour, 24 hours a day). It would end up spending more for electricity by paying the weighted utility price. With an interval meter, its overall costs would be lower during high peak periods, and a little higher during low-demand times, but in the end the company would save almost $50 a day by using an interval meter.

- **Does your facility have the ability to temporarily reduce consumption in response to high prices?**

  If you can cut back on or shift a process with little notice, an interval meter may make sense. You will also need to determine the price at which it makes more economic sense to stop or reduce a process. The Demand and Price Information page provides current prices and the day-ahead price forecast provides a look at the hourly prices for the next business day.

- **Do you have the ability to generate your own electricity?**

  If you already have an internal generator, you may want to explore whether using that generator not just during a power outage but also during higher price periods would help reduce your overall energy bill. You may also consider testing the generator during high-priced times of the day. More information about distributed generation is available on the Managing Your Energy page.

  If you are considering installing an interval meter you need to contact your local distribution company.