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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2009-0263
Festival Hydro Inc – 2010 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Festival Hydro Inc. ("FHI") 2010 Rate Application

Board File No. EB-2009-0263

Interrogatories of the Vulnerable Energy Consumers' Coalition ("VECC")

Question#1

Reference: Exhibit 1/Tab 2/Schedule 2, page 2
Exhibit 2/Tab 1/Schedule 1, pages 6-7

- a) Please indicate whether FHI annually prepares a multi-year capital spending plan and, if so, please provide the multi-year plans for each year 2006-2009 (if available.)
- b) For each year 2006-2008 inclusive please provide the capital budget as approved by FHI's Board of Directors.

Question#2

Reference: Exhibit 2/Tab 4/Schedule 1

- a) Please indicate when the most recent lead-lag study was undertaken by or on behalf of FHI, and the results of that study.
- b) Please indicate what the allowance for working capital for the test year would be based on the study referred to in part a).
- c) Please provide FHI's estimate of the incremental cost to undertake a lead-lag study.
- d) Does FHI contemplate undertaking a lead-lag study in the future?

Question#3

Reference: Exhibit 2/Tab 2/Schedule 1, page 7, Table 7

- a) Please confirm that there were no contributions and grants were received in 2009 to June 30, 2009.
- b) Please provide the total in 2008 contributions and grants as at June 30, 2008.

Question#4

Reference: Exhibit 2/Tab 3/Schedule 1, pages 20-21

- a) Please provide a breakdown of the \$300K in vehicle costs and indicate how the components were estimated.
- b) Please discuss the variance between the \$300K in this application and the recommended spending at Exhibit 2/tab 3/Schedule 2, Appendix A, page 27.

Question#5

Reference: Exhibit 3/Tab 1/Schedule 2

- a) Please explain why other distribution revenues in 2009 and 2010 are expected to be lower than in any other year in the period 2006-2010.
- b) Please provide other distribution revenues to date in 2009 and provide the comparable figure for 2008.

Question#6

Reference: Exhibit 4/Tab 1/Schedule 1, page 2

- a) Please provide the operating budgets as approved by FHI's Board of Directors for each year 2006-2009 along with any underlying assumptions regarding inflation for labour and benefits and inflation for other operating cost components.

Question#7

Reference: Exhibit 4/Tab 1/Schedule 1, page 3

- a) With respect to the five-year forecasts prepared annually, please provide copies of these five-year forecasts prepared in for 2006, 2007, 2008, and 2009 (if available).

Question #8

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please provide a schedule setting out the rates and volumes by customer class supporting the 2010 test year revenues reported in Table 1.
- b) Please clarify whether the rates used in part (a) included:
 - Smart Meter charges
 - Discounts for transformer ownership where applicable.

Question #9

Reference: Exhibit 3/Tab 2/Schedule 2, page 1

- a) In its EB-2007-0680 Report (page 33) the Board directed Toronto Hydro to work with other parties to understand differences in load forecast methodologies employed. Has Festival had any discussions with Toronto Hydro regarding changes it may be implementing in its load forecast methodology? If yes, what was the outcome and how are they reflected in Festival's current approach?
- b) Is Festival aware of the fact that for its 2010 Rate Application (EB-2009-0139), Toronto Hydro has changed its load forecasting methodology to one that uses class specific models to forecast sales on a class specific basis? If yes, please comment as to why the Toronto data supports such analysis while (as discussed on page 9) Festival's data does not.

Question #10

Reference: Exhibit 3/Tab 2/Schedule 2, pages 6-11

- a) What was the frequency of the historical population data available from the smaller municipalities (page 8)?
- b) How were the historical monthly Population values derived from the Census/Municipal data?
- c) What was the source of the forecast for "Population" used for the projection?
- d) Please provide a schedule that sets out the annual growth rate in population for each of the years from 1998 to 2010.

- e) Please explain more fully why “population growth in recent years increasing at a decreasing rate” leads to a negative coefficient for the Population variable (page 8).
- f) What other model specifications did Festival test (per page 7)? Please indicate the results of each in a format similar to that used on pages 7 and 10.
- g) If none of the model specifications tested reflected the current model but included number of customers instead of the “population” variable please provide the results for such a model specification.
- h) Please the most recent projections available to Festival for population and GDP for 2009 and 2010.
- i) Please prepare a table similar to Table 5, but use the definition of weather normal in predicting each historical year’s total system purchases. The result will then be a **prediction of weather normal purchases** for each year 1998 – 2008.
- j) Using the results from part (i) and the predicted values in Table 5, please calculate the variance in purchases energy for each year attributable to weather variations.

Question #11

Reference: Exhibit 3/Tab 2/Schedule 1, pages 12-13

- a) Please confirm that the expected sales to the two new customer have been grossed up for losses for purposes of Table 6. What loss factor value was used?

Question #12

Reference: Exhibit 3/Tab 2/Schedule 1, pages 14-16

- a) Are the historical customer/connection values set out in Table 8 year-end or average annual values?
- b) Please provide a schedule that compares the forecast number of new customers as set out in this Exhibit for 2009 and 2010 with the number of new connections for each year reflected in the capital spending forecast in Exhibit 2. Please reconcile any material differences.

Question #13

Reference: Exhibit 3/Tab 2/Schedule 1, pages 16-20

- a) Please confirm that for the Residential and GS<50 classes the historical average use per customer will be influenced by the weather conditions in year concerned.
 - Given this fact, please confirm that the calculated growth rates for these two classes will be affected by historical variations in weather.
 - Why is it appropriate to use the growth rate in usage per customer/connection (non weather-normalized) to forecast usage for 2008 and 2009?
- b) Please confirm that the calculation of the geomean annual growth rate in Table 11 really only considers the values for 2000 and 2008. If this is not the case, please explain more fully how the value is calculated.
- c) With respect to the changes discussed on pages 16-17:
 - What is Festival's estimate of the reduction in electricity use (kWh) in the Residential and GS<50 classes for 2006, 2007 and 2008 due to CDM?
 - Reference is made to the loss of GS>50 and Large Use customers over the past few years. However, Table 8 shows that the number of customers in these classes has been increasing/constant since 2004. Please reconcile.
- d) Please provide the Hydro One information relied on in order to determine the weather sensitivity by rate class (page 19).
- e) Given that residential uses include lighting, cooking and refrigeration, why is it reasonable to assume that the Residential class is 100% weather sensitive?
- f) Please provide a schedule that sets out the average use per customer for each class as forecast for 2009 and 2010 based on the results on Table 15.
- g) Please provide a schedule setting the average weather normalized use per customer for each class based on the data provided by Hydro One Networks for Festival's 2007 Cost Allocation filing and indicate the year the data is based on.
- h) Please apply the same the methodology as used by Festival to weather normalize 2010 usage (pages 18-20) and determine the weather normalized use by customer class for 2008 using the predicted total weather normalized purchases as determined in Question 10, part (i) and the actual non-weather normalized used by class for 2008. Please provide a schedule that sets out the results in terms of total weather normalized use by customer class and per customer weather normalized use by customer class for 2008.

- i) With respect to page 19, what was the weather normalization period used by Toronto Hydro and each of the other utilities referenced by Festival at Exhibit 3, Tab 2, Schedule 1, page 1? If the same common period was used by most of these utilities, please provide a revised projection (Tables 6 and 15) based on this definition of weather normal.

Question #14

Reference: Exhibit 3/Tab 2/Schedule 1, page 23

- a) The Table shows two different values for 2010 billed kWh – 574,937,024 (near the top) and 576,872,024 (at the bottom). Please confirm that the later value is correct and it is the one used throughout the Application.

Question #15

Reference: i) Exhibit 7/Tab 1/Schedule 2, pages 1-2
ii) Exhibit 7/Tab 1/Schedule 3, pages 2-3

- a) There are Inconsistencies in the 2006 Cost Allocation Run – With the Transformer Ownership Allowance (TOA) Removed. The Distribution Revenues for all classes are lower in the TOA Removed Run, whereas the reduction in revenues should have been reflected only in those classes (i.e., GS>50 and Large Use) that receive the TOA discount.

Please provide a revised 2006 TOA Removed Run that corrects the revenues reported by class.

Question #16

Reference: i) Exhibit 7/Tab 1/Schedule 2, pages 3-7
ii) Exhibit 7/Tab 1/Schedule 3, page 1

- a) Please provide a schedule that sets out the derivation of the revenue contribution ratios shown in Table 4 for the “Proposed Revenue to Cost Ratio” column.
- b) Please provide a schedule that explains the derivation of the Distribution Revenues by class as set out in Sheet O1 of the Cost Allocation Model.

- c) Has Festival made any improvements or changes to the Cost Allocation model used for 2010 (as opposed to that used for the 2007 filing) to address the data and methodology concerns noted by the Board in its EB-2007-0667 Report (pages 5-6)?

Question #17

Reference: Exhibit 8/Tab 1/Schedule 1, pages 4-6

- a) Please confirm that the Board's EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this definition, do any of Festival's proposed monthly service charges exceed the Board's upper limit?
- b) On page 6 Festival states that "an MSC ceiling has not been established". However, on page 5 Festival states that "the OEB indicated that for the time being, it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC". Please explain why the later direction from the OEB doesn't effectively establish a ceiling for those distributors whose MSC values are below the Board's upper limit.

Question #18

Reference: Exhibit 8/Tab 1/Schedule 1, pages 10-11

- a) Table 9 states that embedded distribution points 1, 2 and 3 are all subject to the Common ST charge and the Inc Capital charge. Please check and confirm the associated kW.
- b) Why are the kW associated with the "Remaining Locations" (point #4) only subject to the Monthly Service charge?

Question #19

- Reference:**
- i) Exhibit 8/Tab 1/Schedule 2
 - ii) Exhibit 8/Tab 1/Schedule 8, Appendix B

- a) Based on the most recent 12 months billing data, please provide a schedule that includes the following information:
- Total number of Residential-Hensall customers using less than 100 kWh per month
 - Total number of Residential-Hensall customers using between 100 and 250 kWh per month.
 - Total number of Residential-Hensall customers using between 250 and 500 kWh per month

Question #20

Reference: Exhibit 8/Tab 1/Schedule 3

- a) Why were the historical proportions paid by class used to allocate the new RTSR charges – when the relative distribution of forecast loads by class is not the same as that experienced historically?
- b) Based on the results set out on page 3, what is the percentage adjustment required to the Network and Connection rates respectively in order to just eliminate the current over collection trend for each rate?
- c) Based on the response to part (b) and the most recent changes in UTRs, please recalculate the 2008 Network and Connection charges by class such that the same percentage adjustment is made to all current Network charges and the same percentage adjustment is made to all current Connection charges.