P.O. Box 397, Stratford, Ontario N5A 6T5

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.festivalhydro.

November 23, 2009

BY RESS & COURIER

Mr. Randy Aiken
Aiken & Associates
578 Mcnaughton Ave. W.
Chatham, ON N7L 4J6

Re: ED Number EB-2009-0263
Festival Hydro Inc. Response to Energy Probe Interrogatories
2010 Electricity Distribution Rates, Licence No. ED-2002-0513

Dear Mr. Aiken:

On August 28, 2009, Festival Hydro Inc., referred to herein as the Applicant, filed its application for 2010 electricity distribution rates and, subsequently, on November 2, 2009, the Board Staff submitted its interrogatories to the Applicant as per the Board's Procedural Order #1 dated October 16, 2009. The Applicant now submits its responses to those interrogatories.

A copy of this package has been electronically filed through the Ontario Energy Board's RESS system and emailed to the Board Secretary. The original has been couriered to the Board's offices.

Should you require any further information or clarification of any of the above, kindly contact the writer.

Respectfully submitted,

Originally Signed by

W.G. Zehr President

Cc All Intervenors

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November 23, 2009

BY RESS & COURIER

David MacIntosh, Consultant
Energy Probe
225 Brunswick Avenue
Toronto, ON M5S 2M6

Re: ED Number EB-2009-0263
Festival Hydro Inc. Response to Energy Probe Interrogatories
2010 Electricity Distribution Rates, Licence No. ED-2002-0513

Dear Mr. MacIntosh:

On August 28, 2009, Festival Hydro Inc., referred to herein as the Applicant, filed its application for 2010 electricity distribution rates and, subsequently, on November 2, 2009, the Board Staff submitted its interrogatories to the Applicant as per the Board's Procedural Order #1 dated October 16, 2009. The Applicant now submits its responses to those interrogatories.

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W.G. Zehr President

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EB-2009-0263

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an Application by Festival Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2010.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

November 6, 2009

FESTIVAL HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0263

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 2 & Exhibit 4

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

a) **Please confirm that Festival Hydro has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.**

b) **Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.**

c) **Please provide the amount of provincial sales tax paid by Festival Hydro in each of 2006, 2007, 2008 and 2009 on OM&A expenses.**

d) **Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Festival Hydro to comply with two separate sets of tax rules?**

e) **Please confirm that Festival Hydro has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.**

f) **Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.**

g) **Please provide the amount of provincial sales tax paid by Festival Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**

h) If Festival Hydro is unable to quantify the impact of the removal of the provincial sales tax, is Festival Hydro agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

Response:

Festival Hydro confirms that we have not made any adjustments to the OM&A forecast nor the capital expenditure forecast for 2010 to reflect the impact of the harmonized sales tax regime scheduled to come in to force on July 1, 2010. As compliance with current GST and PST tax regimes is undertaken in-house, FHI does not anticipate a significant reduction in compliance costs due to the harmonization of the taxes. FHI feels that an extensive review of our records at this time to identify PST paid over the years requested and that portion that was expensed versus capitalized would be inappropriate at this time as it is expected that the OEB will provide direction to LDC's on this matter and will administer a policy that is consistent for all LDC's. FHI has taken the opportunity to quantify one month of PST paid in 2009 which we feel is representative of an average month of purchases. FHI determined that approximately $11,500 was paid in PST in the month of September 2009, 25% of which was capitalized. This information was obtained through 16 hours of reviewing our records. Therefore, to provide the requested information would require a dedicated staff member to spend several days reviewing records.
As this matter impacts the entire LDC industry, it is expected that the OEB will provide direction to LDCs to have a consistent fair policy.

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 13

Are any of the costs associated with Festival Hydro Electric Inc. and/or Festival Services Inc. including their Board of Directors, included in the costs included in the filing by Festival Hydro for recovery through the revenue requirement? If yes, please and identify and quantify these costs.

Response:
None of the costs for FHSI or the FHSI board of directors have been included in the revenue requirement of FHI.

Interrogatory # 3

Ref: Exhibit 1, Tab 2, Schedule 2, page 3

a) Does the current application reflect the revised capital budget that was approved by the Board of Directors in May, 2009?

Response:

Yes. The amounts approved by the board did not consider subdivision entries; however, our application does include these entries.

b) Please provide a table that shows the difference between the 2010 capital budget that was approved by the Board of Directors in January, 2009 with that approved in May, 2009.

	2010 Capital Approved by Board in Jan 2009	2010 Capital Approved by Board in May 2009	Difference
Land & Buildings	100,000	100,000	-
Overhead Distribution Projects	1,271,000	1,451,000	180,000
Underground Distribution Projects	262,500	286,000	23,500
Distribution Transformers	450,000	450,000	-
Customer Driven Projects	400,000	455,000	55,000
New/Upgraded Services	150,000	150,000	-
Distribution Meters	45,000	20,000	(25,000)
Vehicles and Trailers	300,000	300,000	-
Computer Equipment	50,000	50,000	-
Scada System & Switches	280,000	210,000	(70,000)
Tools & Misc. Equipment	35,000	35,000	-
	3,343,500	3,507,000	163,500

Note: On Exhibit 2, Tab 2, Schedule 1 Page 8 shows capital of $3,357,000. The difference of $150,000 from the $3,507,000 above represents contributed capital.

Response:

As part of the December 2008 external audit process (completed in April 2009) it was decided the Company would cease the practice of charging disposals to the accumulated deprecation account and charge them directly to the applicable asset account. The 2010 budget approved in January 2009 was created on the using the original account practice; the May 2009 approved budget was based on the newly adopted accounting practices. This is the reason for the $180,000 increase in overhead projects and $23,500 increase in underground. The reductions in Distribution meters and Scada system is a reflection of planned reduced spending in those areas.

c) The Board of Directors approved a preliminary OM&A budget in May, 2009. Has this preliminary OM&A budget for OM&A costs been used in the current rate application?

	OM&A Expenses in Application	2010 OM&A Budget approved in May 2009	Difference
Operating & Maintenance Expense	1,445,997	1,472,730	(26,733)
Administration Expense	2,522,349	2,457,994	64,355
	3,968,346	3,930,724	37,622

Response:

The difference noted in the table above for operating and maintenance expenses relates to minor changes that were made to the application to present the most accurate expectation of the 2010 expenses. These expenses are actually less in the application than what was approved by the FHI Board of Directors in May 2009.

The administration expenses per the rate application appear to be approximately $64k higher than approved by Festival Hydro's Board in May of 2009 however, the May 2009 administration expense budget included a $96k credit for other collections (.i.e. disconnection and reconnection charges are applied as an offset to billing expenses in the internal financial statements, whereas in the rate application they have been properly reclassified to USOA # 4235 Misc. Service revenues. With consideration of this item, the 2010 rate application administration expenses is actually $30k less than those approved by the FHI Board of Directors in May 2009.

d) Has Festival Hydro updated the preliminary OM&A budget since it was approved in May, 2009? If not, why not?

Response:

As per our response in the question above, the expenses included in the rate application were updated after the Board of Directors approval in May 2009.

Interrogatory # 4

Ref: Exhibit 2, Tab 2, Schedule 1

a) Please explain why there were significant disposals under accumulated depreciation in both 2004 and 2005 (Tables 1 & 2), without any significant disposals under the cost category.

Response:

These entries relate to the reclassification of disposals (.i.e. cost of tear-down of old plant), originally included in accumulated depreciation USOA # 2105, to their applicable property and plant asset accounts. Please refer to the response to number two of the Ontario Energy Board interrogatories for more detail on the adjustment that was made and a table highlighting the year's the adjustments were applied to.

The table below summarizes the $968,310 reversed from accumulated deprecation in 2008. These amounts were retrospectively applied to the asset accounts in each applicable year in the 2010 rate application:

Year	Amounts originally charged to accumulated depreciation (reclassified to gross assets in 2008)
2002	2,380
2003	152,099
2004	138,766
2005	181,982
2006	146,752
2007	196,036
2008	150,295
Total	968,310

b) Please explain the reduction in accumulated depreciation for OH Conductors and Devices in 2006 without any corresponding reduction in costs (Table 3).

Response:

Refer to the response in (a) above. In 2006, the amount of disposals charged to accumulated depreciation in the year was $146,752.

c) Please explain why the reduction in accumulated depreciation in 2006 (Table 3) for Transportation Equipment ($131,717) is larger than the associated reduction in costs ($118,591).

Response:

Disposals for the year totaled $118,591, charged to accumulated depreciation. In addition, there was an adjustment of $13,126 for a miscalculation of deprecation expenses in 2005 (found during the 2006 year).

d) Please explain the disposal of $196,036 in 2007 (Table 4) in OH conductors and Devices without any associated reduction in costs for the account.

Response:

Refer to the response in (a) above. In 2007, the adjustment was $196,036.

e) Please explain the negative disposal of $818,014 for OH Conductors and Devices in 2008 (Table 5).

Response:

Refer to the response in (a) above. The accumulated charge prior to 2008 totaled $818,014, so the entire amount was reversed in 2008 and charged to the respective property and plant asset accounts .

f) Please explain why there are no disposals shown for 2009 or 2010 (Tables 6 & 8).

Response:

Disposals are now part of the capital budget for each year and the cost of the tear down is charged directly to the applicable asset account.

g) Has Festival Hydro had any disposals for 2009 to date? If yes, please provide a Table 6 that shows these disposals.

Response:

The amount of disposals included in the asset accounts year to date to November 20, 09 totals $228,552.

h) Please update Table 7 to reflect the most recent year-to-date information available.

Festival Hydro Inc.

2009 Bridge Year Additions to September 30, 2009

OEB	Description	Opening Balance	Total Budgeted Additions	Actual Additions to September 30th	Remaining Additions	Closing Balance
1805	Land - Substations	339,323				339,323
1808	Buildings - Substations	1,696,506				1,696,506
1810	Leasehold Improvements	0				0
1815	Transformer Station Equipment > 50 kV	0				0
1820	Substation Equipment	1,745,896				1,745,896
1825	Storage Battery Equipment	0				0
1830	Poles, Towers & Fixtures	9,336,575	710,500	728,677	(18,177)	10,047,075
1835	OH Conductors & Devices	11,321,305	1,068,000	640,123	427,877	12,389,305
1840	UG Conduit	6,019,452	203,000	36,603	166,397	6,222,452
1845	UG Conductors & Devices	15,287,819	162,500	159,550	2,950	15,450,319
1850	Line Transformers	13,870,225	658,500	359,193	299,307	14,528,725
1855	Services (OH & UG)	4,592,275	228,000	97,961	130,039	4,820,275
1860	Meters	3,429,828	75,000	72,904	2,096	3,504,828
1861	Smart Meters	0				0
1905	Land	0				0
1906	Land Rights	0				0
1908	Buildings & Fixtures	389,838	151,500	84,786	66,714	541,338
1910	Leasehold Improvements	21,798				21,798
1915	Office Furniture & Equipment	331,792				331,792
1920	Computer - Hardware	883,757	45,000	64,793	(19,793)	928,757
1921	Computer - Hardware post Mar 22/04	0				0
1921	Computer - Hardware post Mar 19/07	0				0
1925	Computer - Software	454,162	25,000	16,442	8,558	479,162
1930	Transportation Equipment	2,562,270	355,000	349,777	5,223	2,917,270
1935	Stores Equipment	36,199				36,199
1940	Tools, Shop & Garage Equipment	696,644	60,000	70,457	(10,457)	756,644
1945	Measurement & Testing Equipment	13,413				13,413
1950	Power operated Equipment	0				0
1955	Communications Equipment	106,528				106,528
1960	Miscellaneous Equipment	7,842				7,842
1965	Water Heater Rental Units	0				0
1970	Load Management controls	117,417				117,417
1975	Load Management Controls Utility Premises	127,702				127,702
1980	System Supervisory Equipment	257,006	20,000	25,354	(5,354)	277,006
1985	Sentinel Lighting Rental Units	0				0
1996	Hydro One S/S Contribution	0				0
1995	Contributions & Grants	(3,578,326)	(360,000)		(360,000)	(3,938,326)
	Total before Work in Process	**70,067,244**	**3,402,000**	**2,706,620**	**695,380**	**73,469,244**

i) Based on the response to part (h) above, does Festival Hydro still expect to meet its capital expenditure forecast? If not, why not?

Response:

Festival Hydro expects to meet its capital forecast. All projects identified will be completed. The total capital expenditures are expected to exceed the amount of $3,402,000 by approximately $300,000 due to a change in accounting policy of capitalizing the cost of asset removals associated with capital projects.

j) Will all of the expenditures forecast for 2009 be in service before the end of 2009? If not, please quantify the impact of these assets being put into service in 2010 on the forecast of the 2010 rate base.

Response:

All expenditures for 2009 will be in service before the end of 2009.

k) **What is the current year-to-date figure for the 2009 Contributions & Grants?**

Response:

Contributions & Grants USOA Acct 1995 – year to date to September 30, 2009 was $78,785.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 3, page 29

a) **With respect to the $30,000 for the replacement meters (line 40) please indicate if these meters will be replaced with smart meters in the next few years.**

Response:

Most the replacement meters will be replaced with smart meters within in the next year. Included in the $30,000 are a few meters that were upgraded to interval meters on commercial/industrial installations. Those meters will not be replaced with smart meters.

b) **If yes, has Festival Hydro purchased new meters, or has Festival Hydro purchased used meters from distributors that replaced meters with smart meters?**

Response:

FHI has purchased used meters from other utilities for the replacement of meters.

c) **If Festival Hydro had purchased used meters, how much would the $30,000 forecast be reduced in 2009?**

Response:

FHI purchased used meters.

Interrogatory # 6

Ref: Exhibit 2, Tab 3, Schedule 1, page 19

a) **How much of the $20,000 estimated cost in distribution meters is related to meters that will be replaced in 2010, only to be replaced with smart meters in the near future?**

Response:

None of the $20,000 replacement meters will be replaced with smart meters in the near future. The amount budgeted for this line item is for replacing interval meters and refurbishing one primary metering unit.

b) **Has Festival Hydro considered purchasing used meters from distributors that have replaced relatively new meters with smart meters? If not, why not?**

Response:

FHI plans to purchase and install only smart meters in 2010.

c) **What would be the reduction in distribution meter costs if Festival Hydro purchased used meters?**

Response:

FHI plans to purchase only smart meters in 2010.

Interrogatory # 7

Ref: Exhibit 3, Tab 2, Schedule 1, page 20

a) **Are the vehicles forecast to be replaced in 2010 fully depreciated? If not, please provide the net book value.**

Response:

The vehicles scheduled to be replaced in 2010 are fully depreciated.

b) **Please indicate where in the evidence the proceeds from the disposition of each of the vehicles being replaced in 2010 is shown and provide the associated amounts for each vehicle.**

Response:

The proceeds for the 3 vehicles that are scheduled to be replaced in 2010 are included in exhibit 3, tab 3, schedule 2, page 5 in account 4355.

Proceeds were estimated at $26k in 2010, most of which are the result of the sale of the single bucket truck.

Interrogatory # 8

Ref: Exhibit 2, Tab 4, Schedule 2, page 3 &
Exhibit 3, Tab 2, Schedule 1, page 23

Please reconcile the 576,872,024 kWh's shown on page 3 of Exhibit 2, Tab 4, Schedule 2 with the figure of 574,937,024 kWhs on page 23 of Exhibit 3, Tab 2, Schedule 1.

Response:

The 574,937,024 kWh is the predicted load forecast from the model. Festival Hydro then added 1,935,000 kWh for two new GS> 50 customers, being connected in 2009/10, to come up with the final 2010 load forecast.

Interrogatory # 9

Ref: Exhibit 2, Tab 4, Schedule 2, page 3

a) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of $.06215 per kWh.

Response:

a) Below is a table with RPP cost of power at the original application price of 0.6072; at the request under 9(a) at a price of 0.06215, and under (d) RPP priced at 0.6215 and non-RPP at 0.5820.

Energy Probe 9 a & d	2010 Original all at .6072		2010 all at .06215 (a)	2010 at .06215 RPP & Non RPP .5820 (c)
4705-Power Purchased	$36,707,480		$37,571,967	$35,940,626
4708-Charges-WMS	$3,143,592		$3,143,592	$3,143,592
4714-Charges-NW	$2,702,508		$2,702,508	$2,702,508
4716-Charges-CN	$2,458,878		$2,458,878	$2,458,878
4730-Rural Rate Assistance	$785,898		$785,898	$785,898
4750-Low Voltage	$81,437		$81,437	$81,437
TOTAL	**45,879,792**		**46,744,279**	**45,112,938**

b) Has Festival Hydro reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?

Response:

b) Festival Hydro used the same power price rate for both RPP and non-RPP customers, as it was felt the RPP price should be a close approximation for the non-RPP price. The spot price can change frequently as a result of a number of supply and demand factors.

c) Exhibit 9, Tab 1, Schedule 2, Appendix A shows that the allocation factor for the RSVA – Power – Global Adjustment is kWh – non RPP. Please provide the total non RPP kWh used for this allocation. Is this figure a 2010 forecast or an actual historical figure? Please provide the percentage of the total kWh represented by the non RPP kWh based on either the forecast or the actual historical period used.

Response:

c) The kWh used for each customer class in the allocation of the RSVA Power Global Adjustment was based on the actual 2008 non-RPP kWh billed. 412,506,260 kWh of the total 576,872,024 kWh sold in 2008 (71.5 %) of Festival Hydro's 2008 energy sales was to non-RPP customers.

d) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (c) above using the RPP price of $0.06215 per kWh and a price of $0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of $0.03326 per kWh and the forecasted global adjustment of $0.02494 per kWh for the RPP year).

Response:

d) Above is a table with RPP cost of power at $0.06215 and HOEP at $0.05820 per kWh. One concern about using 0.05820 for all non-RPP customers is it does not reflect the price being charged to customers with retailer contracts, which is often substantially higher than either spot or RPP pricing. The LDC has to settle with the retailer on the due date, regardless of whether or not Festival Hydro ever collects from the customer.

e) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.

Response:

e) **There are no direct market participants served by Festival Hydro.**

f) **Does the distributor intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?**

Response:

f) **Festival Hydro will consider updating the transmission related cost of power to reflect 2010 transmission rates approved by the Board.**

Interrogatory # 10

Ref: Exhibit 3, Tab 2, Schedule 1, page 7 & 8 & Table 4

a) **Please explain Festival Hydro's interpretation of the negative coefficient on population. For example, does this mean that as the population increases the kWh's sold decreases and similarly, if the population falls, the number of kWh's sold would increase?**

Response:

Absent of a concerted effort to reduce average consumption through conservation measures, the normal expectation would be that as the population increases likewise the forecasted load would increase. However, the impact of the conservation programs is to reduce average consumption across the entire customer base and that small individual reduction exceeds the modest increase associated with the new customers. Further, the economic downturn has impacted manufacturing demand and customers may not exit the system (so no reduction in customer count) but consume less electricity.

Over the past five years, residential volumetric sales per customer (i.e. population) have been on the decline. We attribute this decline to the conservation efforts of the Province as well as the conservation efforts by Festival Hydro. As part of the CDM third tranche funding, Festival Hydro undertook a number of programs to assist in the reduction of residential electrical use, such as the distribution of LED light bulbs, LED seasonal lights, LED night lights and general education of conservation at home shows, schools and other conservation booths. For general service customers, a number of seminars were held on topics such as lighting, variable speed motors and power factors. Since the introduction of the OPA programs in 2007, Festival Hydro has always made its targets on refrigerator retirements, ERIP incentives and power savings blitz

installations. We have also been very close to our PeakSaver targets. This negative coefficient also reflects the impact of a number of plant closures, particularly related to the automotive industry.

b) Please explain the statement on page 8 that the negative coefficient on population is explained by the slowing of the population growth rate.

Response:

Our population information is based on the Statistic Canada Census surveys conducted in 2006, 2001, 1996, 1991 for the City of Stratford and Town of St. Marys. Between 1991 and 1996, the combined populations increased by 1,797 or 5.4% in the 5 year period. From 1996 to 2001, the increase was 1, 114 or 3.2% increase. For 2001 to 2006, it was 1,005 or 2.8% increase in the 5 year period. This was the basis for Festival Hydro stating that population is increasing at a decreasing rate, as this has been the trend in the past 15 years.

c) Why does the same logic not apply to the coefficient on Ontario Real GDP? In other words, why does the slowing of the growth in the economy and the negative growth in the recession not yield a negative coefficient on this variable?

Response:

The economic growth between Jan 98 and Dec 98 for Ontario GDP saw the index grow from 100.4 in Jan 1998 to an index of 139.80 – representing a very strong trend with average annual growth in excess of 3.5%. The only period to have a decline is in 2009, which in model represents a 2.5% decline. In 2010, the model contains return to growth at a rate of 2.3. %. This strong trend in growth has resulted in a strong positive coefficient within the model. Population has seen growth at an average of around only 0.6% per year, which is very low growth trend. So when forces such as conservation have a noticeable impact, particularly on the residential classes, it creates a situation whereby load growth is declining while population may be growing.

d) What other variables did Festival Hydro try as explanatory variables in the equation? Please explain why these variables were removed from the final version of the equation.

Response:

One variable included in the original modeling but was removed was a Black out Flag reflecting the impact of the August 14, 2003 black out. It was removed because it had no major impact on the model. We also tried the model removing the population variable from the model, but it produced an even lower adjusted R square value.

Interrogatory # 11

Ref: Exhibit 3, Tab 2, Schedule 1, page 7 & Table 4 & Table 5

For each of the following equations, please provide the equation coefficients shown on page 7 and the regression statistics in Table 4 and the 2010 predicted value for 2009 and 2010 as shown in Table 5:

a) **The current equation excluding the Spring Fall Flag variable.**

Response:

a) **Below are the equation coefficients and the regression statistics for changes to the following variables: (a) Spring/Fall flag removed, (b) customers in place of population and (c) Spring/Fall flag removed using Customers in place of population:**

Monthly Predicted kWh Purchases	S/F Flag Removed		Customers	No S/F Flag; Customers
= Heating Degree Days	x	11,574.7	11,617.1	11,783.5
+ Cooling Degree Days	x	56,537.1	56,295.7	57,870.5
+ Ontario Real GDP Monthly Index	x	516,377.7	432,826.1	431,175.8
+ Population/ Customers in (b)	x	(5,507.3)	(5,307.8)	(5,265.9)
+ Number of Days in the Month	x	603,630.6	603,805.4	596,967.1
+ Spring Fall Flag	x	not used	(116,641.8)	not used
+ Peak Hours	x	45,899.4	46,721.7	46,370.2
+ Constant of		182,281,213.2	57,135,247.5	56,750,232.9

Table 4			
Statistical Results			
Statistic	Spring/Fall Flag Removed a.	Customers replacing Population b.	S.F Flag removed; use Customers c.
R Square	78.7%	77.8%	77.8%
Adjusted R Square	77.7%	76.5%	76.7%
F Test	77.2	62.1	72.9
T-stats by Coefficient			
Intercept	5.2	3.9	3.9
Heating Degree Days	15.1	12.3	15.1
Cooling Degree Days	10.4	7.5	10.4
Ontario Real GDP Monthly %	7.9	7.5	7.6
Number of Days in Month	3.5	3.4	3.4
Spring Fall Flag	Removed	(0.3)	Removed
Population/Customers in b & c	(5.5)	(4.8)	(4.8)
Number of Peak Hours	5.4	5.3	5.3

Predicted Purchases:	kWh	kWh	kWh
2009	605,812,018	614,718,055	615,656,641
2010	590,753,626	602,723,580	603,158,808

b) The current equation excluding population, but including the number of customers (excluding the number of connections for street lighting, USL and sentinel lights).

Response:

See table above.

c) The equation estimated in (b) above, but also excluding the Spring Fall Flag variable.

Response: See table above.

Interrogatory # 12

Ref: Exhibit 3, Tab 2, Schedule 1, Table 6 & Table 7

a) Please confirm that the figures included in Table 6 for the university and financial institution adjustments include an allowance for loss factors.

Response:

a) The volumetric sales for the two new customers (1,935,000 kWh) have been grossed up by a loss factor of 1.0258 (1,984,923 kWh). The loss factor was taken from Table 7 which is the average of the simple loss factor for the past 9 years.

b) Please provide the simple loss factor for 1998 and 1999.

Response:

b) The simple loss factor for 1998 and 1999 are 1.0206 and 1.0215, respectively.

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 1, Tables 6, 7 & 8

Please reconcile the weather normalized figure for 2010 of 576,872,025 kWhs in Table 8 with the predicted value of 591,767,152 kWhs in Table 6 and use of the 2.58% loss factor shown in Table 7.

Response:

2010 forecasted purchases were 589,782,229 kWh divide by the loss factor of 1.0258 equals 574,937,024 kWh. Festival then manually added two new customers' purchases of 1,984,923 kWh divide by the loss factor of 1.0258 equals 1,935,000 kWh. Total purchases are 591,737,152 kWh and net amount is 576,872,024 kWh. See table below:

	Weather Normalized Purchases	After 1.0258 loss factor
2010 Forecasted purchases	589,782,229 kWh	574,937,024 kWh
Add: 2 new GS > 50 kW customers added to forecasted purchases	1,948,923 kWh	1,935,000 kWh
Total Purchases	591,737,152 kWh	576,872,024 kWh

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 1

The evidence is not clear as to what heating and cooling degree forecast Festival Hydro has used to forecast the 2010 volumes.

a) **Page 19 of Schedule 1 talks about 11 year and 20 year trend lines, but the data in Appendix B are labeled as 11 and 20 year averages. Please explain whether the degree day used is actually trend data or average data.**

Response:

The degree days used represented average data rather than trend data. The 20 year table below has been updated to reflect the 20 year trend data.

			Energy Probe #14			
			Monthly HDD and CDD based on 11 yr avge and 20 year trend			
	20 Year Trend Data		11 Year Avge		Difference	
Month	Heating Days	Cooling Days	Heating Days	Cooling Days	Heating Days	Cooling Days
Jan-09	738	0	667	0	70	0
Feb-09	700	0	590	0	110	0
Mar-09	608	0	532	0	76	(0)
Apr-09	398	2	309	1	88	1
May-09	196	10	147	12	49	(2)
Jun-09	50	47	41	61	9	(14)
Jul-09	18	74	9	89	9	(15)
Aug-09	23	59	14	67	9	(8)
Sep-09	118	14	68	28	50	(13)
Oct-09	283	(0)	250	3	33	(4)
Nov-09	507	0	389	0	118	0
Dec-09	687	0	594	0	94	0
Jan-10	730	0	667	0	63	0
Feb-10	688	0	590	0	98	0
Mar-10	600	0	532	0	67	(0)
Apr-10	388	2	309	1	79	1
May-10	192	10	147	12	45	(2)
Jun-10	49	48	41	61	8	(13)
Jul-10	17	75	9	89	8	(15)
Aug-10	22	62	14	67	8	(5)
Sep-10	113	16	68	28	45	(12)
Oct-10	279	0	250	3	29	(3)
Nov-10	495	0	389	0	106	0
Dec-10	677	0	594	0	83	0

b) The data in 2010 in Appendix B is different than that shown for 2009 for the 11 year data, while it is the same in 2009 and 2010 for the 20 year data. Please explain. Please provide the period used to calculate the 11 year average for 2010.

Response:

The 2009 & 2010 -11 year data is in fact the average of 11 years for 2009 and 12 years for 2010. The 2009 & 2010- 20 year data was not calculating correctly. The table below has the revised to show 20 year trend data. Thank you for bringing to our attention.

c) The heating and cooling degree day data shown for 2009 and 2010 in Appendix A is not equal to the 11 year or 20 year data shown in Appendix B. Please explain.

Response:

The headings were backwards in Appendix B. The first column is the 20 year and the second column is the 11 years. It has been fixed in the table above. Thank you for bringing to our attention.

Energy Probe # 14
Alignment of Non-Normal to Weather Normal Forecast
(using 20 year trend data)

Year	Residential	Residential Hensall	General Service < 50 kW	General Service > 50 kW	Large Use	Street Lighting	Sentinel Lights	USL	Total
Non-normalized weather billed energy forecast									
2009 (B)	137,625,755	4,037,946	66,693,594	313,367,608	66,477,958	3,873,055	226,715	655,210	592,957,841
2010 (T)	138,283,955	4,059,490	66,107,601	313,787,614	65,544,852	3,904,130	234,690	629,732	592,552,064
Adjustment for weather									
2009 (B)	877,998	25,761	425,479	487,796	0	0	0	0	1,817,033
2010 (T)	(6,361,004)	(186,735)	(3,040,922)	(3,521,920)	0	0	0	0	(13,110,582)
Adjustment for 2 new G.S. > 50 kW accounts									
2009 (B)	0	0	0	0	0	0	0	0	0
2010 (T)	0	0	0	1,935,000	0	0	0	0	1,935,000
Weather normalized billed energy forecast									
2009 (B)	138,503,753	4,063,707	67,119,073	313,855,403	66,477,958	3,873,055	226,715	655,210	594,774,874
2010 (T)	131,922,950	3,872,755	63,066,679	312,200,693	65,544,852	3,904,130	234,690	629,732	581,376,483

d) Please indicate which set of data has actually been used in the 2009 and 2010 forecast.

Response:

The 11 year average data was used in the forecast.

e) Please provide the data in Appendix A in a live Excel spreadsheet.

Response:

A live excel spreadsheet has been included in electronic format with these responses.

f) Please explain why all of the difference in the weather adjustment based on the 20 year data shown in Table 16 ends up in the Residential adjustment.

Response:

Table 16 had an error in it. It has been updated below to reflect the proper 20 year trend numbers and the correct weather normalization adjustment per class.

Interrogatory #15

Ref: Exhibit 3, Tab 2, Schedule 1, Table 18 & 19

a) What is the impact on the revenue deficiency if the kW forecast shown in Table 19 was based on the 2008 figures shown in Table 18, rather than the average calculated there?

Response:

The table below compares Table 19, using the 9 year average kW to kWh ratio to the kW forecast using strictly using the 2008 kW to kWh ratio figures. Using the 2008 ratios, the overall revenue deficiency of $979,467 would be reduced by $137,710.

KW Forecast by Applicable Rate Class
Energy Probe Question # 15 (a)

At avge rate	G.S. > 50 KW	Large Use	Streetlights	Sentinel Lghts	Total
2009 B	786,686	130,519	11,166	656	929,026
2010 T	777,941	128,687	11,255	679	918,562
2010 F	782,812	128,687	11,255	679	923,433
At 2008 rate					
2009 B	839,338	135,563	10,876	630	986,407
2010 T	830,008	133,660	10,963	653	975,284
2010 F	835,205	133,660	10,963	653	980,481

b) The historical kW/kWh ratios have been trending upwards since 2004 for the General Service > 50 kW and Large Use customer classes. Why does Festival Hydro believe it is more accurate to reflect the average ratio rather than the trend in the ratio for these two customer classes?

Response:

This approach is similar to the process for weather normalization in that the average is used to smooth peaks and valleys. Through time, it takes into account the impact of a trends should they exist. With conservation efforts, the assistance of our conservation officer, and a better focus on energy management, larger customers are becoming more aware of how operational activities (e.g. power factor corrections, better work distribution, and ERIP sponsored initiatives) can be managed to reduce peaks. We expect this ratio will start to move back in the direction of the average through better energy management.

Interrogatory # 16

Ref: Exhibit 3, Tab 3, Schedule 2, page 1

Please provide a table in the same level of account detail as the table shown on pages 1 & 2 that shows the most recent year-to-date revenue available for 2009 by account and the corresponding revenue from the same period in 2008 by account.

Response: Table of other operating revenues to September 30 2008 and 2009:

Other Operating Revenue - Energy Probe Question # 16

Uniform System of	Description	Actual to Sept 30/ 08	Actual to Sept 30/09	Actual 2008	Bridge Year 2009	Test Year 2010
4235	Specific Service Charges	148,135	128,913	200,926	202,991	207,660
4225	Late Payment Charges	99,376	102,248	125,527	125,527	128,414
4082	Retail Services Revenues	19,030	15,846	26,575	26,772	27,160
4084	Service Transaction STR revenue	705	368	966	987	1,009
4210	Rent from Electric Property	135,474	131,211	152,529	148,881	152,305
4220	Other Electric Revenue	3,908	3,184	5, 898	5, 880	6, 015
4355	Gain on Disposals	17,629	17,785	89,613	18,250	13,043
4375	Revenue from Non-Utility Operations	543,868	523,286	695,798	690,042	699,213
4380	Expenses of Non-Utility Operations	(429,265)	(410,476)	(609,439)	(617,281)	(631,478)
4390	Miscellaneous Non-Operating Income	42,373	56,187	42,485	31,864	32,109
4405	Interest and Dividend Income	23,825	26,283	59,964	25, 200	24,000
Specific Service Charges		148,135	128,913	200,926	202,991	207,660
Late Payment Charges		99,376	102,248	125,527	125,527	128,414
Other Distribution Revenues (4082,4084,4210,4220)		159,117	150,609	185,968	182,520	186,489
Other Income and Expenses (4355,4375,4380,4390,4405)		198,430	213,065	278,421	148,075	136,687
Total		605,058	594,835	790,842	659,113	659,450

Interrogatory # 17

Ref: Exhibit 3, Tab 3, Schedule 2, page 5 & 6

a) **Please explain the significant reduction in 2009 and 2010 for revenues associated with Administration Fees & inventory stocking for FHSI (Account 4375). Does this decrease reflect the sale of the water heater business?**

Response:

The water heater business was sold October 30, 2007, but administration of the portfolio remained with Festival Hydro Services Inc. until March 17, 2009. There are no fees due after March 17, 2009.

b) **Please provide the most recent year-to-date actual figure for 2009 for the Administration Fees & inventory stocking for FHSI (Account 4375) and please provide the figure for the same period in 2008.**

Response:

2008	**$54,804**
2009	**$11,318**

c) **The Street Lighting Capital and Maintenance Revenues shown in Account 4375 appear to be less than the total of the Street Lighting Capital and Maintenance Expenses shown for the City of Stratford and Other Towns in the Service Area Account 4380). Please provide a table that shows the total revenues, total expenses and total margin. Please explain why the revenues do not appear to cover the costs for this function.**

Response:

Festival Hydro charges the full costs of delivering street lighting services which includes the charging for wages, materials and related overheads. All costs are fully recovered. There is no margin built into the price. The revenues do not appear as covering the total costs because of a difference in the time of recognizing the expense to the actual timing of billing for the service. At year end, the recognized expenses may be more; however, that amount is recovered in the first billing of the next year.

Interrogatory # 18

Ref: Exhibit 3, Tab 3, Schedule 2, page 8

The evidence states that for 2009 and 2010 the net interest charge on variance accounts has been placed in the interest expense account.

Response:

The interest on variance accounts was all placed in USOA #6035 for 2009 and 2010, whether interest income or expense (which I now understand should be split between USOA # 4405 and USOA # 6035).

a) What is the net interest charge for 2010?

Response:

The interest on variance accounts for 2009 is $23,178 and $266 for 2010, which is part of the total interest expense in Account # 6035.

b) Where in the evidence is this amount shown?

Response:

The following table shows the calculation of interest on variance accounts, which takes into account the growth/reduction in variance accounts in 2009 and 2010. The rate used is 1.0%.

Account Description	Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total Claim	2009 New Principal	2009 New interest	2009 Bal at Dec 31 09	2010 New Principal	2010 New interest	2010 Bal at Dec 31 10
RSVA - Wholesale Market Service Charge	1580	$ (1,385,017)	$ (82,542)	$ (13,850)	$ (4,617)	$ (1,486,026)	-200000	-2000	$ (1,683,409)	$ (66,667)	-222	$ (1,754,915)
RSVA - One-time Wholesale Market Service	1582	$ 36,083	$ 3,628	$ 361	$ 120	$ 40,192	0	0	$ 40,072	$ -	0	$ 40,192
RSVA - Retail Transmission Network Charge	1584	$ (908,899)	$ (61,078)	$ (9,089)	$ (3,030)	$ (982,096)	-200000	-2000	$ (1,181,066)	$ (66,667)	-222	$ (1,250,985)
RSVA - Retail Transmission Connection Charge	1586	$ (924,005)	$ (90,942)	$ (9,240)	$ (3,080)	$ (1,027,267)	-48000	-480	$ (1,072,667)	$ (16,000)	-53	$ (1,091,800)
RSVA - Power	1588/1589	$ 733,250	$ 143,587	$ 7,333	$ 2,444	$ 886,614	50000	500	$ 934,670	$ 16,667	56	$ 953,836
Sub-Totals		$ (2,448,588)	$ (87,346)	$ (24,486)	$ (8,162)	$ (2,568,583)	$ (398,000)	$ (3,980)	$ (2,962,401)	$ (132,667)	$ (442)	$ (3,103,671)
Other Regulatory Assets	1508	$ 322,576	$ 47,478	$ 3,226	$ 1,075	$ 374,355	0	0	$ 373,280	$ -	0	$ 374,355
Retail Cost Variance Account - Retail	1518	$ (57,020)	$ (2,154)	$ (570)	$ (190)	$ (59,934)	-18000	-180	$ (77,924)	$ (6,000)	-20	$ (84,134)
Retail Cost Variance Account - STR	1548	$ 23,828	$ 3,086	$ 238	$ 79	$ 27,232	6000	60	$ 33,212	$ 2,000	7	$ 35,298
Smart Meters Revenue and Capital	1555			$ -	$ -	$ -		0	$ -	$ -	0	$ -
Smart Meter Expenses	1556			$ -	$ -	$ -		0	$ -	$ -	0	$ -
Low Voltage	1550	$ 72,949	$ 3,651	$ 729	$ 243	$ 77,573	25000	250	$ 102,580	$ 8,333	28	$ 111,184
Other Deferred Credits	2405	$ (18,110)		$ -	$ (60)	$ (18,170)	55479	0	$ 37,369	$ 7,900	26	$ 45,235
Sub-Totals		$ 344,223	$ 52,061	$ 3,623	$ 1,147	$ 401,055	$ 68,479	$ 130	$ 468,517	$ 12,233	$ 41	$ 481,938
Totals per column		$ (2,104,365)	$ (35,285)	$ (20,863)	$ (7,015)	$ (2,167,527)	$ (329,521)	$ (3,850)	$ (2,493,884)	$ (120,433)	$ (401)	$ (2,621,733)
				Smart Meter Spending			1000000	$ 1,667	$ 1,001,667	$ 2,000,000	6667	$ 3,008,333
Annual interest rate:		1.00%		**Smart Meters**			-160000	-1600	**$ (335,716)**	$ (210,000)	-700	$ (546,416)
				Regulatory Assets			0	1467.4	43716.02	0	1183.2	44899.22
				Total				$ (2,316)	$ (1,784,217)	$ 1,669,567	$ 6,748	$ (114,916)

Interest Expense for 2009 for acctg	Interest Expense for 2010 for acctg	Interest Expense for 2009 for tax	Interest Expense for 2009 for tax (Rate of 5.25)
$ (23,178)	$ (266)		

Bank Interest	Bank Interest		
$4,200,000	$4,000,000		
0.006	0.006		
$25,200	$24,000	$0	($4,215)

c) **Is this net interest charge reflected in the revenue requirement? Please explain.**

Response:

Yes, interest expense (#6035) on variance accounts is included in the calculation of the revenue requirement.

Interrogatory # 19

Ref: Exhibit 3, Tab 2, Schedule 1, Table 12

Please provide the most recent month of actual customers/connections for 2009 and the corresponding number of customers for the same month in 2008 for each of the rate classes shown in Table 12.

Response:

	September 2008	September 2009
Residential	16,733	16,871
Residential – Hensall	410	411
GS < 50	1,974	1,987
GS > 50	196	209
Large Use	2	2
Total Customers	19,315	19,480
Sentinel Lights	82	82
USL	156	155
Lighting	5,897	5,933
Total Connections	6,135	6,170

Interrogatory # 20

Ref: Exhibit 3, Tab 2, Schedule 1, Table 14 &
Exhibit 6, Tab 1, Schedule 1

What is the impact on the gross revenue deficiency of $979,467 shown in Exhibit 6, Tab 1, Schedule 1 if the residential and GS < 50 rate classes were all assumed to be 50% weather sensitive?

Response:

a) **A change to the weather sensitivity to 50% increases the volume of kWh/kW sold, which in turn decreases the overall revenue deficiency of $979,467 by $44,434.**

Interrogatory # 21

Ref: Exhibit 4, Tab 1, Schedule 1, page 2 & 3

a) **What is the impact on the 2010 revenue deficiency if the labour and benefit component of OM&A expenses were increased by 2% in 2010?**

Response:

The revenue deficiency would decrease by approximately $52,000.

b) **What is the impact on the 2010 revenue deficiency if the labour and benefit component of OM&A expenses were increased by 2% in both 2009 and 2010?**

Response:

The revenue deficiency would decrease by approximately $84,000.

c) **What is the impact on the 2010 revenue deficiency if the increase for non-unionized employee labour and benefit costs were limited to 2%?**

Response:

The revenue deficiency would decrease by approximately $40,000.

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 3, page 1 & 2

The evidence states that "the fuel cost driver peaked in 2008" and then for 2009 and 2010 it was projected that "this cost driver to decrease due to anticipated lower and more stable fuel pricing". However, the table on page 1 continues to show a positive driver for fuel in increasing the OM&A costs in 2009 and 2010. Please explain.

Response:

The fuel cost driver peaked in 2008 as a result of very high oil prices in that year. The 2010 forecast is based on an average increase of 2.3% from the 2009 estimate for most OM&A expenses except for labour costs which are budgeted to increase 3% in-line with the union contract. As clarification for the fuel cost driver documentation in our application, it is anticipated that fuel costs will become less of a driver of the overall budgeted increase in 2009 and 2010 than in 2008 but are still anticipated to increase slightly year over year due to inflationary causes.

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 3, page 4

a) **Please provide a breakdown of the $160,000, of which $40,000 is included in the 2010 revenue requirement between legal, consulting, OEB and intervenor costs.**

Response:

Refer to exhibit 4, tab 2, schedule 3, page 4 in our application for the schedule of regulatory costs which highlights that the $40,000 for 2010 consists of $14,000 for legal costs associated with regulatory matters, $14k for consulting costs for regulatory matters, $6k for incremental staff costs for regulatory matters, and $6k for intervenor costs.

b) **If the current rate application does not require an oral (technical conference, hearing) component, what is the expected reduction in costs in relation to the $160,000 forecast?**

Response:

Our forecast was based on written responses only and therefore we cannot reduce the amount projected if we do not require an oral hearing.

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 3, page 17

Does Festival Hydro agree that a variance account should be established around the $25,000 that has been included in the revenue requirement in 2010 and future years associated with the costs of transition to IFRS? If not, why not?

Response:

Yes. The $25,000 over four years was requested for one time administration costs as well as on-going compliance costs. Section 8.2 of the July 28, 2009 Board Report on the Transition to IFRS along with the recently released frequently asked questions document highlights that a deferral account will be set up to record the incremental one-time conversion costs to IFRS. FHI anticipates using this deferral account mechanism to record such costs, however feels that there will be significant on-going compliance costs related to IFRS reporting that should be considered and so applied for such costs in this application. In addition to the specific issues being faced by the Rate Regulated Industry in the conversion to IFRS, we are aware of significant changes to many of the IFRS

standards to be implemented in the upcoming years as noted in the table below (the information is per IASB plans at October 30, 2009)

2011	2012	2013	Unknown Implementation Date
Consolidation	Derecognition	Financial statement presentation	Earnings per share
Discontinued operations	Financial Instruments	Financial instruments with characteristics of equity	Extractive activities
Joint Ventures	Fair value measurement	Insurance contracts	Common control transactions
Non-financial liabilities	Income taxes	Leases	Government grants
Related Party Disclosures	Rate Regulated Activities	Post-employment benefits	Intangible assets
		Revenue recognition	
		Emissions trading schemes	

It is anticipated that many of these standard changes will impact FHI and that we will incur significant incremental consulting costs to ensure the proper implementations of the changes in each standard.

Due to the fact that the original application was filed under the assumption that $100,000 would include both one-time conversion costs as well as ongoing compliance costs, and one time conversion costs will now be included in a deferral account, FHI feels it is prudent to decrease the on-going compliance costs included in this application to $56,000 in total or $14,000 each year for four years.

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 3, page 17 & 18

a) On September 28, 2009 the OEB issued a letter providing a status update on the LEAP initiative. As part of that letter the Board indicated that the Minister of Energy and Infrastructure requested that the Board not proceed to implement new support programs for low-income energy consumers in advance of a ministerial direction. In light of this, would Festival Hydro agree that the amount included in the 2010 revenue requirement should be removed? If not, why not?

Response:

Festival Hydro anticipates that in fiscal 2010 ministerial direction will be received on this matter and as such we feel our forecasted LEAP expense included in the application should remain as we expect the cost of LEAP under the ministerial direction will be similar to the OEB's policy.

b) What is the LEAP amount included in the 2010 revenue requirement?

Response:

$12,000 has been included in our 2010 revenue requirement for LEAP. As per our response to OEB staff question #11, FHI has previously included $4,400 in our accounts for this expense. Our 2010 projection increases this amount by $7,600 for the extra LEAP portion.

c) Are the charitable donations included in the revenue requirement?

Response:

Charitable donations are not included in the revenue requirement. Refer to exhibit 1, tab 3, schedule 3, page 1 and not that charitable donations of $263 are a reconciling item between the net income reported in our 2010 pro-forma income statement and our revenue deficiency.

Interrogatory # 26

Ref: Exhibit 4, Tab 2, Schedule 4, page 5 &
Exhibit 3, Tab 3, Schedule 2, page 6

Please explain how the cost of $130,683 shown in the 2010 column in the table on page 5 of Exhibit 4, Tab 2, Schedule 4 is related to the $217,214 figure in the 2010 column in the table on page 6 of Exhibit 3, Tab 3, Schedule 2 for City of Stratford street lighting capital and maintenance costs.

Response:

The $130,683 represents Festival Hydro's labour and related burden, vehicles and related burden and stock burden charges (charged for handling of their streetlight stock). Also charged to the account are the costs of material/inventory to come up the total costs of providing the street lighting services of $217,214.

Interrogatory # 27

Ref: Exhibit 4, Tab 2, Schedule 4, page 6 &
Exhibit 3, Tab 3, Schedule 2

The first table on page 6 of Exhibit 4, Tab 2, Schedule 4 shows $21,200 that is reflected in account 4375. Where does the remaining $40,000 in 2010 test year revenues associated with vehicle and direct labour/burden costs show up in Exhibit 3, Tab 3, Schedule 2?

Response:

The $21,200 is a management fee charged for accounting, administrative and billing and collection services provided to Festival Hydro Services Inc, which is recognized as other revenue in USOA # 4375. The $40,000 represents the costs of labour, trucking and related overheads charged directly to FHSI capital projects and maintenance expense accounts. The $40,000 is not set up as other revenue with a corresponding expense account – instead, it is charged directly to FHSI capital/expense accounts with an offset to the intercompany receivable account.

Interrogatory # 28

Ref: Exhibit 4, Tab 2, Schedule 6, page 3

a) **Please provide the duties of the Energy Conservation Officer.**

Response:

Please refer to Appendix A attached to this document for a full job description of the Energy Conservation Officer.

b) **Please provide the total salary & benefits costs associated with this position.**

Response:

The total salary and benefit range for this position is $83,000 - $102,000.

c) **How was the 40% of the cost of this position to be paid for by the City of Stratford determined?**

Response:

The portion of the cost of this position to be paid for by the City of Stratford will be based on pro rata calculation of actual hours worked on City projects versus FHI projects. It is anticipated that this person will spend approximately 40% of his time (i.e. 2 days per week) on City projects.

Interrogatory # 29

Ref: Exhibit 4, Tab 3, Schedule 2, page 2 &
Exhibit 2, Tab 2, Schedule 1, page 6

The capital addition evidence for 2009 at page 6 of Exhibit 2, Tab 2, Schedule 1 shows the addition of $45,000 in computer hardware and $25,000 in computer software. Please explain why the total of these two amounts has been included in CCA Class 45.2 on page 2 of Exhibit 4, Tab 3, Schedule 2. In particular, why was the $25,000 for computer software included in CCA Class 45.2 rather than CCA Class 12?

Response:

The 2009 Federal budget highlighted special CCA rules for qualifying computer hardware and software purchases made after January 27, 2009. For accounting purposes these legislative changes were enacted in May 2009 and therefore FHI has included our hardware and software purchases in this new class.

Interrogatory # 30

Ref: Exhibit 4, Tab 3, Schedule 2, page 4 &
Exhibit 2, Tab 2, Schedule 1, page 8

The capital addition evidence for 2010 at page 8 of Exhibit 2, Tab 2, Schedule 1 shows the addition of $25,000 in computer hardware and $25,000 in computer software. Please explain why the total of these two amounts has been included in CCA Class 45.2 on page 4 of Exhibit 4, Tab 3, Schedule 2. In particular, why was the $25,000 for computer software included in CCA Class 45.2 rather than CCA Class 12?

Refer to our response to the question above.

Interrogatory # 31

Ref: Exhibit 4, Tab 3, Schedule 2, page 6

a) **Please show the calculation used to forecast the 2010 capital tax of $20,317.**

Response:

a) **Paid Up Capital** 15,568,388
Retained Earnings 4,939,687
Loans & Advances 17,239,489
Future Tax (2,412,000)
Post Employment Benefits 1,294,401
Regulatory Asset Difference 159,000
NBV of fixed assets less land (30,302,426)
UCC per s(8) 35,457,646
CEC per s(10) x 4/3 145,090
Taxable paid up capital 42,089,274
Less exemption (15,000,000)
Net taxable capital 27,089,274
Capital tax rate 0.075%
Ontario Capital Tax 20,317

b) If Festival Hydro did not use a capital tax exemption of $15 million and a rate of 0.075% in the above calculation, please use these figures and recalculate the capital tax amount.

Response:

b) As noted in the calculation above, both the $15M exemption and a rate of 0.075% were used in our estimated capital tax for 2010.

Interrogatory # 32

Ref: Exhibit 4, Tab 1, Schedule 1, Appendix A, page 31 &
Exhibit 4, Tab 3, Schedule 2, page 2

a) What is included in CCA Class 95 – Not available for use?

Response:

Class 95 as reported on s(8) of the 2008 T2 represents transformers and meters that are on hand at the end of 2008 but were not available for use and therefore cannot be considered in the CCA calculation.

b) Is any of the $1,653,892 at the end of 2008 available for use by the end of 2009?

Response:

Yes. All of the $1.6M is available for use at the end of 2009.

c) **If the answer to part (b) is yes, please explain where this is shown in the 2009 CCA schedule shown in Exhibit 4, Tab 3, Schedule 2, page 2.**

Response:

The FHI 2009 tax calculations assume that all of the $1.6M from class 95 in 2008 are available for use at the end of 2009 and that there are equivalent purchases throughout 2009 for transformers and meters that are not yet available for use at the end of 2009. As historically these two figures have been relatively similar, no adjustment to move the $1.6M into use and back out the 2009 additions not in use has been made as the impact to the CCA calculation on the difference between these two amounts would be immaterial.

d) **Please reconcile the 2008 UCC ending balance of $36,502,661 with the UCC prior year ending balance shown for 2009 of $34,898,728.**

Response:

The bulk of the difference is class 95 – not available for use, which as noted above, was not included in the 2009 schedules. The remaining difference of $49,959 relates to a 2008 addition reclassification that was made to the final tax return that was not updated in the application schedule. The opening UCC in 2009 for class 8 should be $324,340 and for class 47 should be 6,861,290. The impact on 2009 CCA in relation to this difference is a $751 decrease.

e) **Please explain the FMV reduction in Class 47 in 2009, when no such adjustment appears to have been made in 2008.**

Response:

The FMV reduction was included in the 2009 CCA schedule as it was our understanding the for rate rebasing purposes, this bump should not be considered in our tax calculation. This amount was not required to be adjusted in our actual 2008 tax filing.

Interrogatory # 33

Ref: Exhibit 4, Tab 3, Schedule 1, page 97

a) **Please confirm that the 2009 provincial budget proposed to reduce the provincial corporate income tax rate from 14.0% to 12.0% effective July 1, 2010.**

Response:

Confirmed.

b) Please recalculate the income taxes payable based on a 13.0% provincial income tax rate for 2010 and show the impact of this on the revenue requirement.

Response:

This tax rate change as proposed in the Ontario 2009 budget has not received Royal Assent to date and therefore has not been considered in any of the future tax calculations as it is still uncertain at this time if it will be enacted as proposed on July 1, 2010 or at a later date. Final legislated changes will be incorporated into the model at the rate order stage.

c) Please explain the addition of $3,900 to accounting income for interest and penalties on taxes.

Response:

This is an estimate based on the average of non-deductible interest paid in 2007 and 2008.

d) Has Festival Hydro included the $3,900 for interest and penalties on taxes in the revenue requirement in 2010? If so, in which expense account is this found?

Response:

Yes, this amount has been included in USOA account 6035.

e) Please explain why the amortization of tangible assets for 2010 of $2,874,831 does not match the figure of $2,655,496 shown as depreciation & amortization in Exhibit 6, Tab 1, Schedule 1, page 2.

Response:

The $2.8M includes depreciation expense of $234,983 that is allocated to O&M expenses in the second reference noted above. The $2.6M of depreciation and amortization expense is the $2.8M less the amount allocated to O&M, plus $15,648 of amortization of organization costs. In the tax schedule this amount is added back on line 106 with deferred charges expensed for accounting purposes.

Interrogatory # 34

Ref: Exhibit 4, Tab 3, Schedule 1, page 97

a) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

Response: Confirmed.

b) Please confirm that the 2010 provincial tax savings resulting from the above change is $18,750, the difference between the following calculations on the first $1,500,000 of taxable income:

* **13% x $1,500,000 = $195,000 and**

* **5% x $500,000 = $25,000**
  13% x $1,000,000 = $130,000
  2.125% x $1,000,000 = $21,250
  Total = $176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

Response:

These changes as proposed in the 2009 Provincial Budget have not been substantively enacted for accounting purposes as at November 6, 2009. The Ontario small business rate is applicable to Canadian Controlled Private Corporations that have taxable income in Canada of less than $1,500,000. As our taxable income in 2010 is estimated at $1.9M, this proposed tax rate change would not impact our future tax calculations even when it is substantively enacted for accounting purposes. Final legislated changes will be incorporated into the model at the rate order stage.

Interrogatory # 35

Ref: Exhibit 4, Tab 3, Schedule 1, page 1

The evidence indicates that Festival Hydro has not included any apprenticeship tax credits as it does not consider the amount to be material.

a) **Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of $10,000 per position and extending the eligibility period from 36 months to 48 months.**

Response:

The apprenticeship credit under current provincial legislation would be $10,000 for FHI. Under the proposed legislation our credit would increase to $20,000, however this change has not been substantively enacted to November 6, 2009.

b) **Has Festival Hydro included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If not, please provide a calculation that reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of $3,000.**

Response:

FHI does not incur any costs that would be eligible for the co-op tax credit and therefore an amount has not been calculated and considered in our tax calculations.

Interrogatory # 36

Ref: Exhibit 5, Tab 1, Schedule 1

a) **Please explain why Festival Hydro believes the deemed long-term debt rate as determined by the OEB should be applicable to the Promissory Note held by the City of Stratford. In particular, is this Promissory Note a variable rate note and/or callable on demand?**

Response:

FHI has used the deemed debt rate in our calculations as this is consistent with the procedures that were followed in the 2008 COS filings.

The note in issue is a promissory note held by the City of Stratford. The promissory note is payable on demand at any time to The City of Stratford. The debt agreement includes a fixed rate of interest to be paid to the City.

b) Please show how the long term debt rate of return of 7.40% was calculated.

Response:

Loan Description	Amount	Rate	Annual Interest
City of Stratford demand note	15,600,000	7.62%	$1,188,720
Infrastructure Ontario Loan	$2,500,000	6.00%	$150,000
Totals	18,100,000		$1,338,720

The expected annual interest in 2010 of $1.3M divided by the total outstanding 2010 long term debt of $18.1M provides the expected long term debt rate of 7.4%.

c) What is the most recent interest rate quoted on the Infrastructure Ontario website for a 15 year loan?

Response: 4.72%

d) The evidence indicates that the loan was approved by Infrastructure Ontario in October, 2007. Does the approval limit Festival Hydro to a term of 15 years or an amount of $2.5 million? In other words, can Festival Hydro borrow a different amount and/or have a different term? Please explain fully.

Response:

The 15 year term is part of the legal agreement that we have entered into and therefore it would need to be renegotiated should we wish to alter this term. The $2.5M is the maximum amount we could borrow however we have the option of borrowing less than this amount without renegotiating the agreement.

e) The evidence indicates that Festival Hydro will use the Infrastructure Ontario loan for smart meters. How will Festival Hydro finance its 2009 and 2010 capital additions?

Response: Planned capital additions for 2009 and 2010 will be financed through regular operating income and cash flow.

f) **When does Festival Hydro expect to borrow the money in 2010?**

Response:

It is anticipated that the loan will be received fully in 2010 when the capital outlay for the smart meters will be made. FHI is still finalizing the details of the smart metering project timing, however it is certain that the complete roll out will occur in 2010. Additional details regarding the timing of the payment by FHI for the smart meters will be provided to the OEB by FHI as they become available.

g) **Please confirm that the references to ROE on page 2 in the long term debt and short term debt sections are in error and should be to the Board's methodology of setting the deemed long term and short term debt rates.**

Response:

As FHI indicates in the reference noted for this question, we understand that the OEB will revise both long term debt rates, short term debt rates and deemed ROE in early 2010.

Interrogatory # 37

Ref: Exhibit 6, Tab 1, Schedule 1, page 2

Please recalculate this schedule, using the tax rate of 31.0% as requested above in Interrogatory # 33, part (b) and also reflecting the reduction in taxes due to the change in the small business tax rate (Interrogatory #34) and including the impacts of tax credits (Interrogatory # 35).

Response:

Refer to our response to the above noted questions. Neither budget proposal has been substantively enacted yet for accounting purposes and as such should not be considered in our tax calculations. In addition, the budget proposal relating to the small business tax rate will not impact our calculation regardless of when it becomes substantively enacted as our taxable capital greatly exceeds the threshold at which the rate can be applied to our income.

Interrogatory # 38

Ref: Exhibit 7, Tab 1, Schedule 2

a) **Festival Hydro proposes to increase the street lighting and sentinel lighting revenue to cost ratios half way from the current ratio to the minimum of the range. Does Festival Hydro propose to move both of these rate classes**

the rest of the way to the minimum of the range in 2011? If not, what is the proposal?

Response:

a) The Board's Filing Instructions for the 2010 Generation Incentive Regulation Mechanism (IRM3) dated August 24, 2009 under Section SD1.2 allows for the adjustment if so ordered by the Board. If not ordered by the Board, Festival Hydro will consider requesting the Board to allow Festival Hydro, as part of the 2011, 2012 and 2013 3rd generation IRM filings, to adjust each of the three classes (Streetlights and sentinel lights) below their ranges to bring the revenue to cost ratios within the target ranges by the 2013 rate year. The offsets will be to the classes which are on the higher side of their ranges.

b) Does Festival Hydro propose to increase the Residential – Hensall revenue to cost ratio from 91.21% in 2010 to higher levels in 2011, 2012, and/or 2013? Please explain what the proposal is.

Response:

b) As noted above in a) the Board's Filing Instructions for the 2010 Generation Incentive Regulation Mechanism (IRM3) dated August 24, 2009 under Section SD1.2 allows for the adjustment if so ordered by the Board. If not ordered by the Board, Festival Hydro will consider requesting the Board to allow Festival Hydro, as part of the 2011, 2012 and 2013 3rd generation IRM filings, to adjust the Hensall residential rates with the objective of eventually harmonizing the Hensall with the regular residential rate class.

c) Where will the incremental revenues generated in 2011 and beyond that result from moving the street lighting, sentinel lighting and/or Residential – Hensall revenue to cost ratios higher be allocated? In other words, which revenue to cost ratios in excess of 1.00 will be brought down?

Response:

c) The offsets will be to the classes which are on the higher side of their ranges, namely unmetered scattered load, large use, GS< 50 kW and regular residential.

Interrogatory # 39

Ref: Exhibit 4, Tab 2, Schedule 7, Appendix C, page 5

What is the impact on the depreciation expense of using a 50 year life in place of 30 years for account 1908 Buildings & Fixtures?

Response:

In 2010 depreciation expense would decrease by approximately $7,000 if a 50 year useful life was used for account 1908.

Interrogatory # 40

Ref: Exhibit 9, Tab 1, Schedule 1, page 7 &
Exhibit 9, Tab 1, Schedule 2, page 5

Please update the accounts requested for disposition shown on page 5 of Exhibit 9, Tab 1, Schedule 2 to reflect the Board approved interest rate of 2.45% for Q1 2009, 1.00% for Q2 2009 and 0.55% for Q3 2009 through Q2 2010.

Response:

In the Cost of Service Filing, Festival Hydro used 1% for the entire period of 2009 and 2010 for calculation of interest on variance accounts. On Exhibit 9, Tab 1, Schedule 2, Page 5, the amount of interest expense on accounts designated for disposition for 2009 was $20,863 and $7,015 for 2010. By using a rate of 1.1375% for 2009 (i.e. the weighted average of 3 months @ 2.45%, 3 months @ 1.00% and 6 months @ .055%), the interest expense increases to $23,731 for 2009. By using the rate of 0.55% for the first four months of 2010, the interest expenses drops to $3,858 for 2010. The net difference for the 2 years added together is $289 less expense.

FESTIVAL HYDRO

POSITION DATA

Position Title	**Energy Conservation Manager**	
Division / Department	**Administration**	**Conservation**
Title of Direct Supervisor	**President**	
Date Prepared:	April 1, 2009	

JOB PURPOSE

This position is responsible for Festival Hydro's Energy Conservation and Demand Management Programs to commercial customers. Identifies and build key relationships with customers, industry stakeholders and business groups or associations.

This position is a shared position with the City of Stratford. As the City's Municipal Energy Conservation Officer this position will promote energy conservation and deliver conservation programs. This position will liaise with the Energy and Environment Committee other community groups to address issues of energy conservation.

POSITION STRUCTURE

This position reports to the President of Festival Hydro.

On behalf of the City of Stratford, this person report to an administrative team made up of the key people who can implement these matters in key departments; namely, Lyndon Kowch, Manager of Public Works, Jim Bryson, community Facilities Manager, Dave Carroll, Chief Building Official and Dorthea Kehrer, Housing Manager. Lyndon would be the key contact and coordinator and would report to CLT periodically.

ACCOUNTABILITIES

ACCOUNTABILITY # 1

Key Function

Implement Energy Conservation and Demand Management Programs to Festival Hydro Commercial customers.

Related activities/actions:

- Successfully meet or exceed Festival Hydro's goals for the Ontario Power Authority (OPA) electricity retrofit incentive programs (ERIP) and Power Savings Blitz program and other OPA programs and related reporting of results to OPA.
- Successfully develop, recommend and implement demand response programs by contracting with commercial customers equating to the target kW demand reductions.
- Coordinate marketing efforts, media tool kits and materials for commercial conservation programs.
- Represent Festival at conservation and industry related committees, events function and workshops.
- Builds key relationships with all commercial customers in relation to energy conservation programs.
- Conduct site visits to customers to promote awareness of conservation programs.
- Co-ordinate CDM marketing initiatives to ensure that customer participation is achieved.
- Assist in the development of commercial CDM program budgets.
- Develop a network of channel partners that will assist delivery of CDM programs.
- Assist in the education/encouragement of renewable generation opportunities as proposed in the Ontario Green Energy Act

Problems/how they are dealt with

- Ensure customers take up conservation activities to meet LDC, CDM mandated targets within time guideline (as per conservation targets in LDC distribution licence). Develop action plans to ensure targets are met.
- Ensure customers utilize/receive all eligible Federal, Provincial and OPA subsidy

programs. Assist/educate in the administration of related programs to ensure process is simplified.

Frequency: 58%

ACCOUNTABILITY # 2

Key Function
City of Stratford Municipal Energy Conservation Officer.

Related activities/actions:

The key responsibilities and deliverables would be as follows:

- Liaise with Lyndon Kowch and this management team to review documentation of energy consumption on file and key recommendations for reduced energy.
- Review the recommendations in the Partners for Climate Protection report that was recently received, liaise with the committee and provide recommendations on implementation.
- Review both facilities and fleet operations and provide recommendation on energy reductions.
- Review previous energy audits and recommendations and forward recommendations on any projects that have a respectable return on investment.
- Review possible grants for projects that can reduce energy costs in the Corporation of the City of Stratford.
- Attend monthly meetings of the Energy and Environment Committee and update them on project (direction would come from the administrative team; however, suggestions and input are always welcome).
- Provide monthly reports to the CAO on work accomplished and milestones reached.
- Promote local conservation efforts and activities in the context of the provincial mandate.
- Educate local residents, businesses, associations, etc. about the benefits of conservation
- Take advantage of program offerings from the OPA, Federal and Provincial governments.
- Liaise with the Energy and Environment Committee and other community groups to address issues of energy conservation in the delivery of cost-effective energy

programs.

- Represent city at conservation and industry related committees, events function and workshops.
- Be the driving force to encourage collaboration, communication, or capacity building within the municipality for volunteer-driven environmental groups.
- Contribute to facilities management in the delivery of energy efficiency for corporate wide facilities.

Problems/how they are dealt with

- Ensure customers utilize/receive all eligible Federal, Provincial and OPA subsidy programs. Assist/educate in the administration of related programs to ensure process is simplified.

FREQUENCY: **40%**

ACCOUNTABILITY # 3

Key Function

Maintain a safe work environment.

Related activities/actions:

- Festival Hydro maintains a high standard of safety for its employees and the public, this position will ensure the work related activities remain safe on and off site and initiate action as required to change an unsafe practice or condition within working area.

Problems/how they are dealt with.

- If there is a contravention of Festival Hydro Safety Policy, report and rectify immediately.

Frequency: **2%**

DECISION MAKING AND AUTHORITY

Decisions made by position

- Determination of the best method of delivery of conservation programs
- Develop schedules to meet with all large industrial customers regarding their power requirements and conservation/demand response opportunities.

Recommendations made by the position

- Recommendation of new conservation programs created or OPA conservation program involvement.

SKILLS AND KNOWLEDGE

Professional /Technical Knowledge

- Undergraduate degree in electrical/mechanical engineering with a P. Eng designation.
- Minimum of 3 years experience in similar field and industry – customer service, energy efficiency, and demand response programs.
- Project management skills and ability to manage multiple projects.
- Ability to understand energy management software.
- Excellent strategic planning, presentation, written and verbal communication skills.
- Proficient with Microsoft Office applications.
- Some knowledge of renewable generation would be an asset.
- Communication skills including the ability to make presentations to non-technical audiences regarding complex issues.

Organizational Knowledge

- High level knowledge of other departments
- Billing components and processes
- Customer Information System structure
- Festival Hydro policies as stated in Festival Hydro Conditions of Service

External Knowledge
• Occupational Health & Safety Act, Electric & Utilities Association Safe Work Practices. • Canadian Electrical Code (Ontario Edition). • Canadian Standards Association & Canadian Electrical Association – standards as they relate to electric distribution utilities. • Green Energy Act • Ontario Energy Board –Distribution System Code. • Association of Professional Engineers of Ontario Code of Ethics, Engineers Act of Ontario. • Current political climate as it relates to electrical supply. Current issues and direction of Electricity Distributors Association. • Familiarity of standards, work practices, customer policies at other electric utilities in Ontario. • On-going developments in technology as they relate to electric utilities and conservation.

QUANTITATIVE DATA

Number of Staff Supervised:	Directly 0	Indirectly 0	Total

Phone Calls or Visits Monthly	30

OTHER COMMENTS

This position has regular networking with peers at other utilities and municipalities through formal meetings (such as EDA/OPA/AMO) and informally through phone contacts, on-site meetings etc.