Board Staff Interrogatories
2010 Electricity Distribution Rates
Festival Hydro Inc. ("Festival Hydro")
EB-2009-0263

Load Forecasting

39. Ref: Board Staff IR#6, VECC IR#10, Energy Probe IR#10
Ref: Exhibit 3/ Tab 2/ Sch. 1/ Page 7

The coefficient for "Population" in the multifactor regression model is negative 5,558.23. In response to interrogatories, Festival Hydro states that, "The load increase from the modest customer growth is less than the reduction in load resulting from reduced average consumption across the entire customer population. This reduction across the entire consumer population is primarily the result of two factors: conservation and reduced manufacturing demand related to plant closures."

a) The interrogatory queried the negative population coefficient, however the response was stated in terms of customers. Does Festival Hydro have an alternative model using customers as a variable?
b) Please explain the relationship between population and manufacturing demand.
c) Please develop a load forecast using the retail normalized average use per customer ("retail NAC") method. Please base the forecast on 2008 actual data.
d) Please develop a load forecast using the IESO 18-Month Outlook. Please base the forecast on 2008 actual data.
e) Provide a summary chart comparing the load forecast as filed on August 28, 2009 with the forecasts developed from (c) and (d) above.

OM&A

40. Ref: Board Staff IR#12
Ref: Exhibit 4/ Tab 2/ Sch. 3/ Page 17

As noted in the response to the IR, Festival Hydro anticipates using a deferral account mechanism to record one-time conversion costs to IFRS. Festival Hydro feels that there will be significant on-going compliance costs related to IFRS reporting that should be considered. The response to the IR states that these on-going compliance costs total $14,000 each year for four years. Please provide specific examples of the activities related to on-going IFRS compliance.

41. Ref: Board Staff IR#13
Ref: Exhibit 4/ Tab 2/ Sch. 6

In response to the IR, Festival Hydro states that, "In 2007 and 2008 executive wage increases were greater than 3% to reflect pay amounts that are competitive with other LDC's in the Southwestern Region." Please provide the number of LDC's used for comparison and the rank of Festival Hydro among these LDC's before and after the executive wage increases for each of 2007 and 2008.

Cost Allocation

42. Ref: Board Staff IR#21, IR#22 and VECC IR#19
Ref: Exhibit 7/ Tab 1/ Sch. 2
Ref: Exhibit 8/ Tab 1/ Sch. 8/ Appendix A

The interrogatories queried Festival Hydro's plans to bring the revenue to cost ratios for sentinel lights, street lights and Residential Hensall class within the Board's target range. Festival Hydro replied that,

> The Board's Filing Instructions for the 2010 3rd 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 to bring the revenue to cost ratios within the target range by the 2013 rate year. The revenue offsets will be to the classes which are on the higher side of their ranges.

a) Please provide a table which shows Festival Hydro's proposed revenue to cost ratios for these customer classes for each year from 2010 to 2013.
b) Festival Hydro's proposed revenue to cost ratio of 91.21% for the residential Hensall class exceeds the 50% difference between the existing ratio and the Board's minimum target. Based on VECC IR#19 and the bill impact summaries, approximately 10% of the residential Hensall customers will experience a greater than 10% total bill impact from the proposed changes. Please confirm this approximation. What is the revenue to cost ratio at which all residential Hensall customers experience a less than 10% total bill impact?

Rate Design

43. Ref: Board Staff IR#23
Ref: Exhibit 8/ Tab 1/ Sch. 1/ Page 10

In response to IR#23(e) relating to ST rates and Hydro One rate riders, Festival Hydro stated that it applied the Hydro One rates effective May 1, 2009.

a) The Hydro One ST rate effective May 1, 2009 (EB-2008-0187) for connection to common ST lines (44 kV to 13,8 kV) is $0.55/kW. Rider #4 is $(0.20)/kW. In the table on page 10 of the second reference, Festival Hydro has used an ST charge of $0.35/kW. Rider #4 is in effect until April 30, 2011. (i) Please calculate the ST cost assuming no rider #4. (ii) Please calculate a weighted average forecast of ST charges for the test year with weights of ¼ with rate rider #4 and ¾ without rate rider #4. The weighting assumes that Festival Hydro's next cost of service will be 2014. If other weights would be more reasonable, please provide that calculation instead, including an explanation.
b) As above for connection to high voltage (≥ 13.8 kV secondary).
c) As above for connection to low voltage (< 13.8 kV secondary).
d) As above for monthly service charge.
e) Please confirm the source of the ST charge related to "Inc Capital".

44. Ref: VECC IR#17
Ref: Exhibit 8/ Tab 1/ Sch. 1/ Page 5
Ref: Exhibit 8/ Tab 1/ Sch. 8/ Appendix A

Festival Hydro proposes that it is appropriate for 2010 to maintain the same fixed/variable proportions assumed in the current rates for all customer classifications. The references provide the proposed fixed and variable distribution charges. Please explain the large differences noted in Appendix A in %impact between fixed and variable charges for the GS>50 and Large User customer classes.

Deferral and Variance Accounts

45. Ref: Exhibit 9/ Tab 1/ Sch. 2/ Page 4
Ref: RP-2004-0203/EB-2004-0520
Ref: Accounting Procedures Handbook, FAQ December 2005

The application states that accounts 1565 and 1566 "are equal and offsetting at an amount of $670,623, which represents the full amount of Festival Hydro's third tranche funding. Festival Hydro request[s] that these balances be removed from the accounts. There is no disposition required." Staff notes that the balances are not zero. Staff also notes that the 2008 Annual Report CDM Third Tranche MARR Funding for Festival Hydro Inc., dated December 31, 2008 states that the total budget and actual spending is $661,623.

a) The Final Board Order for file RP-2004-0203/EB-2004-0520 approved a total budget of $660,343, the exact amount of Festival Hydro's incremental

MARR. Please explain the difference between this amount and (i) the current amount in 1565 and 1566 and (ii) the amount in the 2008 Annual Report.

b) Please explain why the balance in account 1565 (and the corresponding offsetting balance in 1566) is not zero.
c) Please provide the justification for the Board to approve the 1565 account balance since it represents an amount that is above the total spending limit approved in the applicant's CDM Plan.
d) Please confirm that all entries made in accounts 1565 and 1566 are consistent with the accounting procedures in Article 220 of the Accounting Procedures Handbook and the Board's FAQs dated December 2005.

46. Ref: Board Staff IR#33
Ref: Exhibit 9/ Tab 1/ Sch. 1

a) Please identify separately, the balance associated with the Global Adjustment sub-account in Account 1588 Power, as of December 31, 2008 for the principal balance and April 30, 2010 for carrying charges.
b) Please confirm that the Global Adjustment principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.
c) Please provide an allocation of the December 31, 2008 balance of the Global Adjustment sub-account (plus interest to April 30, 2010) based on the 2008 kWhs for non-RPP customers.
d) Please calculate a separate rate rider for the recovery of the proposed Global Adjustment balance using the allocated amounts in (c) and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant.
e) If Festival Hydro were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide Festival Hydro's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
f) If the answer to e) is in the negative, does Festival Hydro have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the disposition of the account 1588 subaccount Power (Global Adjustment) balance would be applied?
g) Please provide a variation of the rate rider calculations for the remaining accounts, excluding the Power (GA) sub-account.

47. Ref: Exhibit 9

It is likely that the PST and GST will be harmonized effective July 1, 2010.

a) Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?

b) Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

48. **Manager’s Summary**

a) Based on the first and second round interrogatories from all parties, please submit an updated Microsoft Excel file containing the revenue requirement workform.

b) Please provide a listing of all changes made to Festival’s original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

49. Responses to Letters of Comment

a) Following publication of the Notice of Application and Hearing, has Festival Hydro received any letters of comment?
b) If so, please confirm whether a reply was sent from Festival Hydro to the customer.
   i) If confirmed, please file that reply with the Board.
   ii) If not confirmed, please explain why a response was not sent and confirm if Festival Hydro intends on responding. If so, please file that response with the Board.