Festival Hydro Inc.

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

187 Erie Street, Stratford
Telephone: 519-271-4700
Toll-Free: 1-866-444-9370
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www.festivalhydro.com

January 7, 2010

BY COURIER

William Harper, Senior Consultant
Econalysis Consulting Services Inc.
34 King Street East, Suite 1102
Toronto, ON M5C 2X8

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

Dear Mr. Harper:

On August 28, 2009, Festival Hydro Inc., referred to herein as the Applicant, filed its application for 2010 electricity distribution rates and, subsequently, on December 18, 2009, Board staff submitted its second round interrogatories to the Applicant as per the Board's Procedural Order #2 dated December 7, 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

Festival Hydro Inc.

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January 7, 2010

BY COURIER

Michael Buonaguro
Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto, ON M5C 2X8

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

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

Board File No. EB-2009-0263

Second Round Interrogatories of the Vulnerable Energy Consumers Coalition ("VECC")

Question #21

Reference: VECC #2 c)

a) Does FHI have any idea as to what it would cost to undertake a lead-lag study?

b) If the response to a) is affirmative, please provide an estimate.

RESPONSE:
Festival Hydro has not issued an RFP for the completion of a lead lag study so we really don't have any idea as to what the cost would be to undertake a study.

Question #22

Reference: VECC #3 a)

a) Please reconcile this response with the information provided at Exhibit 2/Tab 2/Schedule 1, page 7, Table 7.

RESPONSE:
Contributed capital at November 30th 2009 was$192,477. In December 2009 we have booked the contribution related to a subdivision in the amount of $48,845, which will bring that total to $241,322. There will be other contributions being finalize before year end, with the expectation that the final amount will not exceed $360,000.

Question #23

Reference: VECC #5 a) and b)

a) Given the increase in prices related to scrap and given the actual 2009 Other Distribution Revenues to September 30, 2009, please provide updated projections for 2009 and 2010 Other Distribution Revenues.

RESPONSE:
Updated projections for 2009 and 2010 Other Distribution Revenues are provided in the table below.

VECC IR # 23										
Other Distribution Revenues						Change			Change	
Account	Description	Actual to Sep 30/09	Actual to Nov 30/09	Original 2009 Bridge year	Revised 2009 Bridge year	Revised 2009 vs. Original 2009	Original 2010 Test year	Revised 2010 Test year	Revised 2010 vs. original 2010	
						Increase(Decrease)			Increase(Decrease)	
4235	Specific Service Charges	128,913	161,168	202,991	174,790	(28,201)	207,660	178,810	(28,850)	
4225	Late Payment Charges	102,248	121,079	125,527	130,337	4,810	128,414	133,335	4,921	
4082	Retail Service Reveneus	15,846	22,914	26,772	24,997	(1,775)	27,160	25,572	(1,588)	
4084	STR Revenue	368	463	987	505	(482)	1,009	517	(492)	
4210	Rent from Electric Property	131,211	156,617	148,881	170,855	21,974	152,305	173,418	21,113	
4220	Other Elec Revenue	3,184	4,184	5,880	4,564	(1,316)	6,015	4,669	(1,346)	
4355	Gain on Disposals	17,785	17,785	18,250	17,785	(465)	13,043	13,043	-	
4375	Rev from Non-Utility operations	497,726	633,396	690,042	690,977	935	699,213	714,198	14,985	***
4380	Expenses Non- Utility Operations	(410,476)	(598,596)	(617,281)	(618,216)	(935)	(631,478)	(631,478)	-	
4390	Misc Non-Operating Revenue	56,167	58,360	31,864	58,360	26,496	32,109	59,702	27,593	
4405	Interest and Dividend Income	26,283	27,760	25,200	30,284	5,084	24,000	24,000	-	
		569,255	605,130	659,113	685,239	26,126	659,450	695,786	36,336	
Summary:										
Specific Service Charges		128,913	161,168	202,991	174,790	(28,201)	207,660	178,810	(28,850)	
Late Payment Charges		102,248	121,079	125,527	130,337	4,810	128,414	133,335	4,921	
Other distribution Revenues		150,609	184,178	182,520	200,921	18,401	186,489	204,176	17,687	
Other income and expenses		187,485	138,705	148,075	179,190	31,115	136,887	179,465	42,578	
		569,255	605,130	659,113	685,239	26,126	659,450	695,786	36,336	
*** - Margin on streetlighting revenues to be added to 2010 revenues.										

FHI based its 2009 and 2010 projections for the COS Application on the best information available at the time of preparation. Selective updating of specific accounts, only where the change favours the ratepayer, is not equitable. The information used in a rate application is subject to continual change and updating the application for every new bit of information is not practical. FHI will update the application to correct errors and incorporate significant new information as appropriate and directed by the Board.

Question #24

Reference: VECC #10 a) and b)
OEB Staff #7 b)

a) Please confirm that for the smaller towns the 2006 population levels along with the growth rates shown in OEB #7 b) were used to estimate the population for these towns throughout the historical/forecast period analyzed. If not, please provide a schedule setting out the population levels used for the small towns (in total) for each year from 1998 to 2010.

RESPONSE:
The growth rates used to estimate the populations of the smaller towns for the period back to 1998 are detailed in the following table.

VECC Question # 24
Small Town Populations from 1998 to 2010
used in the Load Forecast Model

Year	Small town Total	Annual Increase	Percentage Growth	5 year %
1996	5,560			
1997	5,593	34	0.61%	
1998	5,627	34	0.60%	
1999	5,661	34	0.60%	
2000	5,694	33	0.58%	
2001	5,727	33	0.58%	2.98%
2002	5,761	34	0.60%	
2003	5,796	35	0.60%	
2004	5,831	35	0.60%	
2005	5,865	34	0.58%	
2006	5,899	34	0.58%	2.97%
2007	5,932	34	0.57%	
2008	5,966	34	0.57%	
2009	6,000	34	0.57%	
2010	6,034	34	0.56%	

Small towns include Brussels, Hensall, Seaforth, Dashwood, Zurich. Stratford and St. Marys based on Statistics Canada Census data.

b) With respect to the response to part VECC #10 b), why wasn't the population growth between 1996 and 2001 used to calculate the monthly growth back to 1998.

RESPONSE:
The population growth rate overall from 1996 to 2001 was 3.122%. From the table above, the five year population growth was 167 persons.

Using 3.122%, it would be 175 or 8 more persons over 5 years which in Festival's view is an insignificant difference.

Question #25

Reference: VECC #12 b)

a) Please provide a table that for each year from 2004 to 2010 sets out the actual/forecast number of customer additions (for Residential, GS<50, GS>50, and Large Use) and the actual/forecast spending on capital spending on connections (both gross and net of customer capital contributions).

RESPONSE:
Refer to the table below which highlights the increase/ (decrease) in customers per class for the years requested, including our projections for 2009 and 2010.

VECC # 25

Actual /Forecast number of customers - net increase (decrease) for the year

Year	Residential	Residential Hensall	General Service < 50 kW	General Service > 50 kW	Large Use	Total
2003	201	(2)	6	1	0	206
2004	200	0	3	(5)	0	197
2005	200	2	(17)	1	0	186
2006	183	0	(16)	4	0	171
2007	201	1	0	(1)	0	201
2008	173	2	0	10	0	184
2009	203	1	(2)	1	0	203
2010	205	1	(2)	1	0	206

The capital costs associated with connections is not tracked separately. Each year, several work orders are set up that mirror the OEB account numbers for the various capital categories. Capital work associated with connections is charged to these various work orders (services, meters, line transformers, conductors & devices, poles, etc) depending on the specific requirements for the connection (i.e. some connections may only require a meter and service cable, while others may require a pole, conductor, transformer, meter, and service wire). These same work orders are also used for other capital work such as service upgrades, line relocations, and minor capital projects. Therefore, to extract the costs that are only associated with connections would be extremely costly and time consuming.

Question #26

Reference: VECC #13 a) and b)

a) Please provide a copy of the referenced report in part a).

RESPONSE:
The quote was taken from a Toronto Star article dated October 30th, 2009. Refer to appendix A for a copy of the article.

b) Please provide the formula for calculating the 0.9927% geometric mean.

RESPONSE:

The equation for the geometric mean is:

$$GM_y = \sqrt[n]{y_1 y_2 y_3 \cdots y_n}$$

Question #27

Reference: VECC #20 b) and c)

a) With respect to the Table provided in the response to part b), please confirm that the Network and Connection Charges from the IESO for the months of July 2009 and later reflect the increase in Uniform Transmission Service rates approved by the Board in EB-2008-0272.

RESPONSE:
The charges from the IESO and Hydro One for the months of July 2009 and subsequent reflect the increase in uniform transmission rates as approved by the Board in EB-2008-0272.

b) The original Application indicated that for the period January – June 2009, customers were overcharged for Networks service by 12.58%. Given that the Network charges increased by 3.5% (per OEB Guideline G-2008-0001) on July 1, 2009 why wouldn't the adjustment required to Retail Network Service rates be a 9.1% reduction (i.e. reduce by 12.58% to remove bias in current rates then increase by 3.5% to account for increase in uniform transmission rates)?

RESPONSE:
Festival Hydro's original calculation took into account the experience for the period 2008 and the first 6 months of 2009 rather than just the six months ended June 30, 2009. By using the longer period, a larger

correction was created which is then reflected in the adjustment to the current rates. If the data used related to 2009 only, then in theory a 12.58% overcharged rate offset by an increase of 3.5% in uniform rates would net a 9.1% rate reduction, that is assuming quantities (kW/kWh) sold are unchanged. Part C of this question highlights the 2010 projected quantities of kWh expected to be sold which are used to calculate the final rates.

c) Please explain more fully (with supporting schedules) the calculations undertaken to produce the 4.1% increase in Network rates and the 0.4% decrease in Connection rates discussed in the response to part c).

RESPONSE:
Two additional tables have been added to show how the calculations were determined. Based on the network and connection charges billed by the IESO and Hydro One to the end of September 30, 2009, Festival Hydro extrapolated the full year charge estimates for network charges of $2,924,625 and connection charges of $2,356,285. Based on the 2008 kW and kWh quantities, Festival determined the amount of reduction required to the rates to collect the projected year to date amounts, which resulted in a reduction in the rates for network charges of 9.3% and of connection charges of 6.5%. From there, Festival then determined the increase in rates required as a result of using 2010 kW/ kWh quantities in place of 2008, which results in an increase in the network rates of 6.5% and connection rates of 7.4%. The final tables show the combined net effect of increased RTSR rates and decreased kW/kWh quantities, resulting in an overall decrease in network charges of 4.1% and an increase in connection rates of 0.4%. The final tables are noted below.

Month	Network Charge Billed to Customers (Acct. 4066)	Network Charge from IESO/Hydro One (Acct. 4714)	Difference to Variance Acct # 1584	Connection Charge Billed to Customers (Acct 4068)	Connection Charge from IESO (Acct. 4716)	Difference to Variance Acct # 1586
Jan-09	(249,179)	204,832	(44,347)	(205,491)	193,913	(11,578)
Feb-09	(252,578)	219,089	(33,489)	(210,661)	206,669	(3,992)
Mar-09	(242,278)	222,271	(20,007)	(202,271)	209,824	7,553
Apr-09	(233,741)	197,571	(36,170)	(193,511)	202,547	9,036
May-09	(228,664)	198,160	(30,504)	(185,868)	192,171	6,303
Jun-09	(222,960)	232,986	10,026	(178,145)	216,118	37,973
Jul-09	(244,017)	208,287	(35,730)	(190,535)	190,708	173
Aug-09	(270,542)	258,381	(12,161)	(208,355)	221,457	13,102
Sep-09	(249,510)	220,659	(28,851)	(192,377)	197,650	5,273
9 month accumulated	(2,193,469)	1,962,236	(231,233)	(1,767,214)	1,831,057	63,843
totals			11%			-4%
			decrease			increase
12 month extrapolated						
	(2,924,625)	2,616,315	(308,311)	(2,356,285)	2,441,409	85,124

2008 Data by Class - kWh/kW sold used to determine 2009 required rates	kW for Network	kW for Connection	kWh	Required Network rate	Total Network Charged to customers	Required Connection Service Rate	Total Connection Charged to customers
Residential			140,510,280	0.0050	$700,936	0.0039	$551,784
Residential - Hensall			4,128,179	0.0050	$20,593	0.0039	$16,211
G.S. < 50 kW	0	0	69,020,413	0.0044	$306,747	0.0036	$245,230
G.S. 50 kW to 4999 kW	167,021	167,011		1.8271	$305,158	1.4059	$234,795
G.S. 50 kW to 4999 kW (interval Metered)	656,029	679,338		1.9404	$1,272,983	1.5412	$1,046,969
Larger Use	139,635	139,635		2.1486	$300,019	1.7624	$246,091
Unmetered Scattered Load			685,262	0.0044	$3,046	0.0036	$2,435
Sentinel Lighting	606	606		1.3849	$839	1.1096	$672
Street Lighting	10,180	10,180		1.3779	$14,028	1.0868	$11,064
TOTALS	**973,472**	**996,771**	**214,344,133**		**$2,924,348**		**$2,355,252**
			From table above	Required	$2,924,625		$2,356,285
				Difference	-$277		-$1,033
				Rate Decrease	9.30%		6.50%

2010 Test year kWh/kW used to determine 2010 required rates	kW for Network	kW for Connection	kWh	Calculated Proposed Network Rate	Total Network Charged to customers	Calculated Proposed Connection Rate	Total Connection Charged to customers
Residential			135,585,683	0.0053	$714,922	0.0042	$571,846
Residential - Hensall			3,980,279	0.0053	$20,987	0.0042	$16,787
G.S. < 50 kW			64,817,673	0.0047	$304,489	0.0038	$247,339
G.S. 50 kW to 4999 kW	167,021	167,011		1.9312	$322,552	1.5099	$252,170
G.S. 50 kW to 4999 kW (interval Metered)	608,924	608,934		2.0510	$1,248,928	1.6552	$1,007,911
Larger Use	128,687	128,687		2.2711	$292,256	1.8928	$243,578
Unmetered Scattered Load			629,732	0.0047	$2,958	0.0038	$2,403
Sentinel Lighting	679	679		1.4638	$994	1.1917	$809
Street Lighting	11,255	11,255		1.4565	$16,393	1.1673	$13,138
TOTALS	916,566	916,566	205,013,367		$2,924,479		$2,355,982
Amount allocated to each rate group			Rate increase for volume declines		5.70%		7.40%

Proposed 2010 Network Rate Sheet	Existing Network Rate(kWh billed)	Existing Network Rate(kW billed)	Proposed Network Rate(kWh billed)	Proposed Network Rate (kW billed)	Reduction in rate	Percentage Reduction
Residential	0.0055		0.0053		0.0002	4.1%
Residential - Hensall	0.0055		0.0053		0.0002	4.1%
G.S. < 50 kW	0.0049		0.0047		0.0002	4.1%
G.S. 50 kW to 4999 kW		2.0144		1.9312	0.0832	4.1%
G.S. 50 kW to 4999 kW (interval Metered)		2.1394		2.0510	0.0884	4.1%
Larger Use		2.3689		2.2711	0.0978	4.1%
Unmetered Scattered Load	0.0049		0.0047		0.0002	4.1%
Sentinel Lighting		1.5269		1.4638	0.0631	4.1%
Street Lighting		1.5192		1.4565	0.0627	4.1%

Proposed 2010 Connection Rate Sheet	Existing Connection Rate(kWh billed)	Existing Connection Rate (kW billed)	Proposed Connection Rate (kWh billed)	Proposed Connection Rate (kW billed)	Reduction (increase) in rate	Percentage Reduction (Increase)
Residential	0.0042		0.0042		(0.0000)	-0.4%
Residential - Hensall	0.0042		0.0042		(0.0000)	-0.4%
G.S. < 50 kW	0.0038		0.0038		(0.0000)	-0.4%
G.S. 50 kW to 4999 kW		1.5036		1.5099	(0.0063)	-0.4%
G.S. 50 kW to 4999 kW (interval Metered)		1.6483		1.6552	(0.0069)	-0.4%
Larger Use		1.8849		1.8928	(0.0079)	-0.4%
Unmetered Scattered Load	0.0038		0.0038		(0.0000)	-0.4%
Sentinel Lighting		1.1867		1.1917	(0.0050)	-0.4%
Street Lighting		1.1624		1.1673	(0.0049)	-0.4%

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Back to Hydro use decreasing

Hydro use decreasing

October 30, 2009

Tyler Hamilton

A new long-term forecast of electricity use in Ontario shows the government should have little problem shutting down all coal plants by 2014.

It also confirms there's no rush to build a new nuclear power plant in the province.

The forecast, released yesterday by the grid watchdog North American Electric Reliability Corp. (NERC), says demand on the electricity system in Ontario will fall an average of .7 per cent a year between 2009 and 2018. That's a 9.5 per cent drop in annual consumption, or the equivalent shutting down two Candu 6 nuclear reactors.

"Structural change in Ontario's energy-intensive export industry will lead to a rationalization of inefficient and uncompetitive facilities," according to NERC. "Conservation savings and the growth in embedded generation are expected to more than offset any growth from increased population and eventually economic recovery."

Embedded generation includes rooftop solar panels, micro-generators and other technologies that generate power where it's used, rather than transmitting it through the grid.

Mark Winfield, professor of environmental studies at York University, said the latest forecast shows how much the world has changed since the Ontario Power Authority, the province's power-planning agency, issued its own long-term forecast in 2005 and a 20-year plan that was supposed to guide billions of dollars worth of power-system planning into 2025.

"The assumptions we're currently operating on have crumbled in so many ways," said Winfield. "We're kind of flying blind here and need to take a step back and ask, where are we going?"

For example, NERC's report says Ontario's electricity demand in 2015 will be 17 per cent lower than what the power authority predicted would be the case that year. Demand in 2015, according to NERC, will be 136.7 terawatt-hours - roughly equivalent to consumption in 1995.

In the same year, the power authority said the province would need just over 28,000 megawatts of generation capacity to handle anticipated peak electricity demand in the summers, but NERC's report says only 22,622 megawatts will be needed. That represents a drop of nearly 20 per cent.

Terry Young, a spokesman for the Independent Electricity System Operator, which manages supply and demand on the Ontario grid, said the situation is not surprising given the economic downturn and the new conservation programs that have gone into effect. He warned that long-term forecasts are a frozen look at a fluid environment.

"You're assuming everything you have in service today is going to stay in service, and everything you're planning on today is going to be in service," he said. "But these things can change fast."

Some industry observers say Ontario, despite the fall in demand, will need more power capacity to accommodate the push toward electric vehicles. The added demand from battery-powered cars, however, won't be sudden; it will be gradual and easy to plan for over shorter terms.

The government has asked the power authority to come up with a new 20-year plan, which would include an updated load forecast. Power authority spokesman Ben Chin would only say "we'll have it soon," explaining that the agency must weigh the impact of new green-energy programs introduced this year.

Ontario's electricity system is going through a dramatic transition. Dalton McGuinty's government has promised to close the province's four remaining coal-fired power plants - representing 6,400 megawatts of generation capacity - by the end of 2014. A number of nuclear reactors over the next decades will also need to be shut down and refurbished or completely mothballed.

Winfield said deciding on major and expensive power initiatives, such as nuclear projects, is risky because long-term forecasts are simply unreliable. "Anything beyond five years is a mug's game," he said. "We've got some breathing room now to stop and think about things."