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January 7, 2010

**BY RESS & COURIER**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 26<sup>th</sup> Floor, P.O. Box 2319  
TORONTO, ON M4P 1E4

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

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Dear Ms. Walli:

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 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*

A handwritten signature in black ink, appearing to read "W.G. Zehr", is written over a horizontal line.

W.G. Zehr, President

Cc All Intervenors

**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?

**RESPONSE:**

**Festival Hydro does not have an alternate model which makes use of customer numbers as a variable.**

- b) Please explain the relationship between population and manufacturing demand.

**RESPONSE:**

**Festival Hydro has no empirical evidence as to whether there is a direct relationship between an increase or decrease in the amount of manufacturing activity and the population within our service area. One would expect there would be a correlation between the two i.e. increased manufacturing capacities needing more employees would translate into greater population. The same effect would be expected with manufacturing losses as residents move to find employment elsewhere. This being the case, there are many other factors that would need to be considered such as shifts in manufacturing, labour being replaced by robots, availability of resources such as highways, rail, gas, electricity, land, labour and tax that influence manufacturing. Taking into account all of such variables, it would be difficult to prove a correlation 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.

**RESPONSE:**

**Festival Hydro has developed a load forecast using the retail NAC method applied to the 2008 actual data. Please refer to the table below.**

- d) Please develop a load forecast using the IESO 18-Month Outlook. Please base the forecast on 2008 actual data.

**RESPONSE:**

**Festival Hydro has developed a load forecast using the electricity growth (decline) for Ontario of -4.0% for 2009 and -0.3% for 2010 as reported in the May 25, 2009 IESO 18 month Report for the period June 2009 to November 2010. Please refer to the table below.**

- e) Provide a summary chart comparing the load forecast as filed on August 28, 2009 with the forecasts developed from (c) and (d) above.

**RESPONSE:**

**The table below summarizes for 2009 and 2010 the original submitted forecast, the NAC forecast and the IESO forecast.**

**OEB Interrogatory # 30 c**  
**Load forecast using NAC based on 2008 Actual Data**

**2008 Average Energy Usage per Customer by Rate Class**

| Year | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL   |
|------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|-------|
| 2008 | 8,198       | 9,761                  | 34,120                     | 1,435,542                  | 33,712,174 | 656             | 2,687           | 4,356 |

**Forecasted Customers by Rate Class for 2009 & 2010**

| Year | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use | Street Lighting | Sentinel Lights | USL | Total  |
|------|-------------|------------------------|----------------------------|----------------------------|-----------|-----------------|-----------------|-----|--------|
| 2009 | 16,910      | 412                    | 1,970                      | 219                        | 2         | 5,886           | 82              | 156 | 25,638 |
| 2010 | 17,115      | 413                    | 1,968                      | 221                        | 2         | 5,916           | 83              | 156 | 25,874 |

**Forecasted Load using the NAC method based on 2008 actual data**

| Year | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL     | Total       |
|------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|---------|-------------|
| 2009 | 138,632,059 | 4,025,843              | 67,224,396                 | 314,753,718                | 67,424,347 | 3,861,818       | 221,042         | 680,046 | 596,823,268 |
| 2010 | 140,313,581 | 4,035,190              | 67,164,064                 | 316,569,689                | 67,424,347 | 3,881,508       | 223,093         | 678,377 | 600,289,849 |

**OEB Interrogatory # 30 d**  
**Load forecast using IESO forecast based on 2008 Actual Data**

**2008 Energy Usage by Rate Class**

| Year                         | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL     | Total       |
|------------------------------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|---------|-------------|
| <b>Energy Usage by Class</b> |             |                        |                            |                            |            |                 |                 |         |             |
| 2008                         | 136,970,688 | 4,016,517              | 67,284,782                 | 312,948,164                | 67,424,347 | 3,842,227       | 219,010         | 681,719 | 593,389,462 |

**2009 and 2010 Expected Ontario Growth (Decline) from the IESO May 25, 2009 18 Month Outlook Report**

|      |        |
|------|--------|
| 2009 | -4.00% |
| 2010 | -0.30% |

**Forecasted Load applying the IESO growth rates to 2008 Actual Data**

| Year | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL     | Total       |
|------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|---------|-------------|
| 2009 | 131,491,860 | 3,855,856              | 64,593,391                 | 300,430,237                | 64,727,373 | 3,688,538       | 210,250         | 654,450 | 569,651,956 |
| 2010 | 131,097,385 | 3,844,289              | 64,399,611                 | 299,528,947                | 64,533,191 | 3,677,472       | 209,619         | 652,487 | 567,943,000 |

**OEB Interrogatory # 30 e**  
**Summary table**

**2009 Load Forecast under three scenarios**

|                     | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL     | Total              |
|---------------------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|---------|--------------------|
| Aug 2009<br>filed * | 136,117,457 | 3,993,693              | 65,962,671                 | 312,529,632                | 66,477,958 | 3,873,055       | 226,715         | 655,210 | <b>589,836,391</b> |
| 39c NAC<br>based    | 138,632,059 | 4,025,843              | 67,224,396                 | 314,753,718                | 67,424,347 | 3,861,818       | 221,042         | 680,046 | <b>596,823,268</b> |
| 39d IESO<br>based   | 131,491,860 | 3,855,856              | 64,593,391                 | 300,430,237                | 64,727,373 | 3,688,538       | 210,250         | 654,450 | <b>569,651,956</b> |

\* Per Table 15 under Exhibit 3, Tab 2, Schedule 1, page 20 using 11 years of HDD and CDD

**OEB Interrogatory # 30 e**

**2010 Load Forecast under three scenarios**

|                     | Residential | Residential<br>Hensall | General Service<br>< 50 kW | General Service<br>> 50 kW | Large Use  | Street Lighting | Sentinel Lights | USL     | Total              |
|---------------------|-------------|------------------------|----------------------------|----------------------------|------------|-----------------|-----------------|---------|--------------------|
| Aug 2009<br>filed * | 129,737,473 | 3,808,598              | 62,021,896                 | 310,990,652                | 65,544,852 | 3,904,130       | 234,690         | 629,732 | <b>576,872,024</b> |
| 39c NAC<br>based    | 140,313,581 | 4,035,190              | 67,164,064                 | 316,569,689                | 67,424,347 | 3,881,508       | 223,093         | 678,377 | <b>600,289,849</b> |
| 39d IESO<br>based   | 131,097,385 | 3,844,289              | 64,399,611                 | 299,528,947                | 64,533,191 | 3,677,472       | 209,619         | 652,487 | <b>567,943,000</b> |

\* Per Table 15 under Exhibit 3, Tab 2, Schedule 1, page 20 using 11 years of HDD and CDD

## 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.

#### RESPONSE:

Once IFRS is fully implemented we anticipate ongoing compliance costs to be higher than in the past for the following specific items:

- The annual audit of our IFRS statements will cost more than our current audit under Canadian GAAP as IFRS reporting requirements are more extensive. The additional disclosure requirements, for example, would cause the expected professional fee to increase. We anticipate that our annual audit costs for this item will increase \$4,000.
- The OEB has indicated in their document EB-2008-0408, Transition to IFRS, that the RRR will include a requirement for supplementary audit assurance regarding regulatory accounting values reported on an annual basis where they differ from IFRS reported values in audited financial statements and that are not otherwise audited. This supplementary audit assurance will involve a full audit of regulatory accounting values by a third party auditor in accordance with attest audit requirements. FHI anticipates that this additional audit assurance required will cost approximately \$5,000 per year.
- 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). In the year that a new standard is implemented, we anticipate our external audit costs will increase by approximately \$4,000. As the table notes below – there are several scheduled IFRS changes for 2011, 2012, and 2013, in addition to some standard changes where the revision date is still unknown at this point.

| <b>2011</b>                                                                                                                                                            | <b>2012</b>                                                                                                                               | <b>2013</b>                                                                                                                                                                                                                                              | <b>Unknown<br/>Implementation<br/>Date</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| <b>Consolidation</b><br>(include more entities<br>on B/S – when to<br>consolidate not how)                                                                             | <b>Derecognition</b><br>(significant changes to<br>standard are likely)                                                                   | <b>Financial<br/>statement<br/>presentation</b>                                                                                                                                                                                                          | <b>Earnings per<br/>share</b>              |
| <b>Discontinued<br/>operations</b>                                                                                                                                     | <b>Financial<br/>Instruments</b><br>(revisions to first time<br>adoption provisions and<br>disclosure<br>requirements)                    | <b>Financial<br/>instruments with<br/>characteristics of<br/>equity</b>                                                                                                                                                                                  | <b>Extractive<br/>activities</b>           |
| <b>Joint Ventures</b>                                                                                                                                                  | <b>Fair value<br/>measurement</b>                                                                                                         | <b>Insurance<br/>contracts</b>                                                                                                                                                                                                                           | <b>Common control<br/>transactions</b>     |
| <b>Non-financial<br/>liabilities</b><br>(liability definition,<br>liability recognition<br>criteria, liability<br>measurement,<br>reimbursement rights,<br>disclosure) | <b>Income taxes</b><br>(would eliminate some<br>differences between<br>CDN GAAP and IFRS,<br>however will create<br>some new differences) | <b>Leases</b>                                                                                                                                                                                                                                            | <b>Government<br/>grants</b>               |
| <b>Related Party<br/>Disclosures</b>                                                                                                                                   | <b>Rate Regulated<br/>Activities</b><br>(new standard for<br>industry)                                                                    | <b>Post-<br/>employment<br/>benefits</b><br>(recognition of<br>gains/losses from<br>defined benefit plans,<br>presentation of defined<br>benefit liabilities,<br>accounting for benefits<br>that are based on<br>contributions and a<br>promised return) | <b>Intangible assets</b>                   |
|                                                                                                                                                                        |                                                                                                                                           | <b>Revenue<br/>recognition</b>                                                                                                                                                                                                                           |                                            |
|                                                                                                                                                                        |                                                                                                                                           | <b>Emissions<br/>trading schemes</b>                                                                                                                                                                                                                     |                                            |

**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.

## RESPONSE

Festival Hydro participates in the annual MEARIE salary survey for LDC's in the 10,000 – 20,000 customer range. In 2007 the survey data encompassed groupings that included nine President positions, five VP of Engineering and Operations, and eight Secretary Treasurers. In 2008 the survey categories included data for seven Presidents, three VP of Engineering and Operations, and five Secretary Treasurers. The tables below compare the results of the survey to the actual FHI data.

The tables below include columns that for the following defined items:

**Average minimum** – The average minimum rate of the salary range for all respondents.

**Average maximum** – The average maximum rate of the salary range for all respondents.

**Mean** – The sum of the actual average salary reported divided by the number of respondents.

**P25 – 25<sup>th</sup> percentile (1<sup>st</sup> quartile)** – the rate within the sample which is higher than 25% of all rates reported.

**P75 – 75<sup>th</sup> percentile (3<sup>rd</sup> quartile)** – the rate within the sample which is higher than 75% of all rates reported.

**Median** – the middle rate when data are arranged in order and there is an odd number of observations (i.e. 3, 5, 7 etc.). It is the mean of the two middle observations when the data is arranged in order for even number observations (2, 10 etc.).

Note that the 2008 MEARIE data could not provide the P25, P75 or Median data for the position of VP Engineering & Operations as there were less than 3 LDC's that reported data for this position. Also note that in 2008 FHI is still below the mean even after the change in compensation amounts.

2007

MEARIE Survey Total for 3 Executive positions (president, VP engineering & operations, secretary treasurer)

| Before                |                       |            |            |            |            |
|-----------------------|-----------------------|------------|------------|------------|------------|
| Average Range Minimum | Average Range Maximum | Mean       | P25        | P75        | Median     |
| \$ 277,363            | \$ 337,875            | \$ 326,053 | \$ 306,650 | \$ 337,673 | \$ 317,985 |

FHI Actual for President, VP Engineering & Operations, & Secretary Treasurer

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| \$ 313,236 | \$ 313,236 | \$ 313,236 | \$ 313,236 | \$ 313,236 | \$ 313,236 |
|------------|------------|------------|------------|------------|------------|

Over/(Under)

|           |             |             |          |             |            |
|-----------|-------------|-------------|----------|-------------|------------|
| \$ 35,873 | \$ (24,639) | \$ (12,817) | \$ 6,586 | \$ (24,437) | \$ (4,749) |
|-----------|-------------|-------------|----------|-------------|------------|

2007

MEARIE Survey Total for 3 Executive positions (president, VP engineering & operations, secretary treasurer)

| After                 |                       |            |            |            |            |
|-----------------------|-----------------------|------------|------------|------------|------------|
| Average Range Minimum | Average Range Maximum | Mean       | P25        | P75        | Median     |
| \$ 277,363            | \$ 337,875            | \$ 326,053 | \$ 306,650 | \$ 337,673 | \$ 317,985 |

FHI Actual for President, VP Engineering & Operations, & Secretary Treasurer

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 |
|------------|------------|------------|------------|------------|------------|

Over/(Under)

|           |            |          |           |            |           |
|-----------|------------|----------|-----------|------------|-----------|
| \$ 54,744 | \$ (5,768) | \$ 6,054 | \$ 25,457 | \$ (5,566) | \$ 14,122 |
|-----------|------------|----------|-----------|------------|-----------|

2008

MEARIE Survey Total for 3 Executive positions (president, VP engineering & operations, secretary treasurer)

| Before                |                       |            |     |     |        |
|-----------------------|-----------------------|------------|-----|-----|--------|
| Average Range Minimum | Average Range Maximum | Mean       | P25 | P75 | Median |
| \$ 294,866            | \$ 374,053            | \$ 350,051 |     |     |        |

FHI Actual for President, VP Engineering & Operations, & Secretary Treasurer

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 | \$ 332,107 |
|------------|------------|------------|------------|------------|------------|

Over/(Under)

|           |             |             |  |  |  |
|-----------|-------------|-------------|--|--|--|
| \$ 37,241 | \$ (41,946) | \$ (17,944) |  |  |  |
|-----------|-------------|-------------|--|--|--|

2008

MEARIE Survey Total for 3 Executive positions (president, VP engineering & operations, secretary treasurer)

| After                 |                       |            |     |     |        |
|-----------------------|-----------------------|------------|-----|-----|--------|
| Average Range Minimum | Average Range Maximum | Mean       | P25 | P75 | Median |
| \$ 294,866            | \$ 374,053            | \$ 350,051 |     |     |        |

FHI Actual for President, VP Engineering & Operations, & Secretary Treasurer

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| \$ 346,858 | \$ 346,858 | \$ 346,858 | \$ 346,858 | \$ 346,858 | \$ 346,858 |
|------------|------------|------------|------------|------------|------------|

Over/(Under)

|           |             |            |  |  |  |
|-----------|-------------|------------|--|--|--|
| \$ 51,992 | \$ (27,195) | \$ (3,193) |  |  |  |
|-----------|-------------|------------|--|--|--|



## **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.

### **RESPONSE:**

**Table 1 below provides the proposed revenue to cost ratio for each customer class from 2010 to 2013. In order to increase rates for sentinel lights, streetlighting and Hensall residential, the offset has been applied to reduce the rates associated with unmetered scattered load, regular residential and general service less than 50 kW. By the end of 2013, the revenue to cost ratios for sentinel lights and streetlighting will be at the minimum 70.0%; Hensall residential will be at a 100% revenue to cost ratio and all other classes will fall in a range of 81.85% to 109.30%.**

**OEB Interrogatory 42 a Table of Proposed Revenue Cost Ratios for 2010 to 2013**

| <b>Customer Class</b>                                        | <b>2010<br/>Proposed<br/>Rev Cost<br/>Ratio</b>       | <b>2011 Proposed<br/>Rev Cost Ratio</b>   | <b>2012 Proposed<br/>Rev Cost Ratio</b>   | <b>2013 Proposed<br/>Rev Cost Ratio</b> |
|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------|
| <b>Residential</b>                                           | 107.70%                                               | <b>107.37%</b>                            | <b>107.34%</b>                            | <b>107.28%</b>                          |
| <b>Residential - Hensall</b>                                 | 91.21%                                                | <b>94.10%</b>                             | <b>97.10%</b>                             | <b>100.00%</b>                          |
| <b>GS &lt; 50 kW</b>                                         | 112.28%                                               | <b>111.00%</b>                            | <b>110.10%</b>                            | <b>109.30%</b>                          |
| <b>GS &gt;50</b>                                             | 81.85%                                                | 81.85%                                    | 81.85%                                    | 81.85%                                  |
| <b>Large Use</b>                                             | 108.13%                                               | 108.13%                                   | 108.13%                                   | 108.13%                                 |
| <b>Sentinel Lights</b>                                       | 50.70%                                                | <b>57.20%</b>                             | <b>63.80%</b>                             | <b>70.00%</b>                           |
| <b>Street Lighting</b>                                       | 51.52%                                                | <b>58.00%</b>                             | <b>64.00%</b>                             | <b>70.00%</b>                           |
| <b>USL</b>                                                   | 120.30%                                               | <b>116.00%</b>                            | <b>110.00%</b>                            | <b>105.00%</b>                          |
| <b>TOTAL</b>                                                 |                                                       |                                           |                                           |                                         |
| <b>Cost allocation by class resulting from ratio changes</b> |                                                       |                                           |                                           |                                         |
| <b>Customer Class</b>                                        | <b>2010 Rate<br/>Application<br/>inc Misc<br/>Rev</b> | <b>2011 Rate<br/>Class<br/>Allocation</b> | <b>2012 Rate<br/>Class<br/>Allocation</b> | <b>2013 Rate Class<br/>Allocation</b>   |
| <b>Residential</b>                                           | 5,830,422                                             | 5,825,957                                 | 5,824,448                                 | 5,821,294                               |
| <b>Residential - Hensall</b>                                 | 127,203                                               | 131,603                                   | 135,798                                   | 139,854                                 |
| <b>GS &lt; 50 kW</b>                                         | 1,739,985                                             | 1,727,716                                 | 1,713,707                                 | 1,701,255                               |
| <b>GS &gt;50</b>                                             | 2,344,011                                             | 2,344,011                                 | 2,344,011                                 | 2,344,011                               |
| <b>Large Use</b>                                             | 324,011                                               | 324,011                                   | 324,011                                   | 324,011                                 |
| <b>Sentinel Lights</b>                                       | 7,120                                                 | 8,009                                     | 8,933                                     | 9,801                                   |
| <b>Street Lighting</b>                                       | 104,318                                               | 117,099                                   | 129,212                                   | 141,326                                 |
| <b>USL</b>                                                   | 34,511                                                | 33,176                                    | 31,460                                    | 30,030                                  |
| <b>TOTAL</b>                                                 | 10,511,581                                            | 10,511,581                                | 10,511,581                                | 10,511,581                              |

- 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?

**RESPONSE:**

As noted in the response to VECC IR # 19, a total 42 of the 413 customers (approximately 10%) use 250 kWh per month or less. Below is a table which shows the resulting revenue to cost ratio for three scenarios: 1. total bill impact to a 250 kWh customer as proposed in the original application; 2. 250 kWh customer at 10% increase total bill impact; and 3. 100 kWh customer at a 10% total bill impact.

| Monthly kWh Usage | Total Bill - Current | Total Bill – Original Proposal | Increase \$ | Increase % | Revenue to Cost Ratio | OEB Target |
|-------------------|----------------------|--------------------------------|-------------|------------|-----------------------|------------|
| 250 kWh           | \$34.77              | \$39.65                        | \$4.88      | 14.02%     | 90.95%                | 85.00%     |
| 250 kWh           | \$34.77              | \$38.25                        | \$3.48      | 10.00%     | 86.08%                | 85.00%     |
| 100 kWh           | \$20.23              | \$22.26                        | \$2.03      | 10.00%     | 82.65%                | 85.00%     |

The objective of rate harmonization is to increase the rates charged to Hensall residential customers so that eventually they pay the same rates as the remaining residential customers. This is based on the premise that all Festival Hydro customers receive equivalent service, regardless of their physical location.

For the 42 customers with monthly usage of 250 kWh and less, Festival Hydro's cost of service application proposed increase is greater than 10% (14.02%), but the absolute amount translates to only \$4.88 per month.

To keep virtually all customers within an increase of 10% would mean reducing the increase to \$2.03 per month. This is not desirable from Festival perspective for two reasons: 1. the revenue to cost ratio would continue to fall short of the OEB target of 85.0% and 2. it will hamper the ability to arrive at harmonization in a reasonable period of time. Festival Hydro recommends adopting the proposed rates as provided in the original COS rate application as an increase in excess of 10% impacts only 42 of our total 19,500 customer base.

### ***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.

**RESPONSE:**

Table 1 below provides the recalculated low voltage (sub-transmission) charges using the two approaches outlined by the OEB (i) assuming no riders and (ii) assuming ¼ with rate riders and ¾ without rate riders. Included in the table below are the Common ST Line charges calculated under the two assumptions.

In a letter received from Hydro One on June 8, 2009, it states these rate riders are in effective over an 11 month period starting June 2009. As such, Festival Hydro believes the weightings as used are reasonable.

| Table 9<br>Calculation of Low Voltage Charges from Hydro One for Test Year 2010 |            |                   |                                    |  | Answers to Interrogatories             |                                           |                                                        |
|---------------------------------------------------------------------------------|------------|-------------------|------------------------------------|--|----------------------------------------|-------------------------------------------|--------------------------------------------------------|
|                                                                                 |            |                   |                                    |  | Original COS                           | OEB Q# 43                                 | OEB Q# 43                                              |
| <u>LV charges for 2010 Test Year based on new LV rates June 1, 2009:</u>        |            |                   |                                    |  |                                        |                                           |                                                        |
| <u>KW subject to LV Charges</u>                                                 |            |                   |                                    |  | <u>With May 1 2009 rate<br/>riders</u> | <u>With no May 1<br/>2009 rate riders</u> | <u>With 1/4 rate riders<br/>and 3/4 no rate riders</u> |
| Total kW of embedded distribution                                               | 233,782.00 |                   |                                    |  |                                        |                                           |                                                        |
| Seaforth (1)                                                                    | 97,565.00  |                   |                                    |  |                                        |                                           |                                                        |
| Brussels (2)                                                                    | 16,191.00  |                   |                                    |  |                                        |                                           |                                                        |
| Grand Bend supplying Dashwood (3)                                               | 19,101.00  |                   |                                    |  |                                        |                                           |                                                        |
| Remaining locations (4)                                                         | 100,925.00 | June 1, 2009      | 2010 Original COS                  |  |                                        |                                           |                                                        |
| Total kW for embedded locations                                                 | 233,782.00 | <u>L.V. Rates</u> | <u>LV charges<br/>for the year</u> |  |                                        |                                           |                                                        |
| kW with Common ST Lines Charge (1,2,3)                                          | 116,666.00 | 0.35              | 40,833.10                          |  | 64,166.30                              | 58,333.00                                 |                                                        |
| kW with Inc Capital (1,2,3)                                                     | 116,666.00 | 0.021             | 2,449.99                           |  | -                                      | 612.50                                    |                                                        |
| kW with LVDS (2)                                                                | 16,191.00  | 0.78              | 12,628.98                          |  | 19,591.11                              | 17,850.58                                 |                                                        |
| kW with HVDS High (3)                                                           | 19,101.00  | 0.89              | 16,999.89                          |  | 26,550.39                              | 24,162.77                                 |                                                        |
| Monthly Service charge (1,2,3,4)                                                | 6.00       | 118.4             | 8,524.80                           |  | 1,103.52                               | 2,958.84                                  |                                                        |
| <b>Test Year 2010 LV charges, with new rates effective June 1, 2009</b>         |            |                   |                                    |  | <b>81,436.76</b>                       | <b>111,411.32</b>                         | <b>103,917.68</b>                                      |

| <u>Sub transmission rates effective May 2009</u> |                                         |                              |                                               |                           |
|--------------------------------------------------|-----------------------------------------|------------------------------|-----------------------------------------------|---------------------------|
|                                                  | <u>With rate riders<br/>May 1, 2009</u> | <u>Rate Rider<br/>Period</u> | <u>No rate riders<br/>May 1, 2010 forward</u> | <u>Account charged to</u> |
| Common ST Line Charge                            | 0.35                                    | 11 months                    | 0.55 4750                                     | LV Charges                |
| Rider # 5A Incremental Capital                   | 0.021                                   | 11 months                    | 0 1508                                        | Other Reg. assets         |
| LVDS                                             | 0.78                                    | 11 months                    | 1.21 4750                                     | LV Charges                |
| HVDS High                                        | 0.89                                    | 11 months                    | 1.39 4750                                     | LV Charges                |
| Service Charge                                   | 118.27                                  | 11 months                    | 183.92 4750                                   | LV Charges                |

b) As above for connection to high voltage ( $\geq 13.8$  kV secondary).

**RESPONSE:**

Included in the above table are the HVDS High charges calculated under the two assumptions.

c) As above for connection to low voltage ( $< 13.8$  kV secondary).

**RESPONSE:**

Included in the above table are the LVDS charges calculated under the two assumptions.

d) As above for monthly service charge.

**RESPONSE:**

Included in the above table are the monthly service charges calculated under the two assumptions.

e) Please confirm the source of the ST charge related to “Inc Capital”.

**RESPONSE:**

The charge for Incremental capital of \$0.021 per kW is being taken directly from our Hydro One bills for the TS Seaforth location and the Grand Bend East DS, being charged since June 1, 2009. These are the only two bills with Common ST Lines.

**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.

**RESPONSE:**

- The impact of the transformer allowance was not properly reflected in the original calculations. This caused the fixed ratio to be understated and the variable overstated which in turn, created a large difference on Appendix A for the G.S. > 50 kW and Large User classes. In order to maintain the same fixed/variable ratios as previous, Festival Hydro has recalculated the fixed/variable ratios and the impact on rates which properly reflects transformer allowances. Festival Hydro requests that the OEB accept these revised rates in place of the original COS filed rates for G.S. > 50 kW and Large User rate classes.

Noted below are the following tables:

- a table which contains our 2009 current rates, the original COS application rates and the revised COS application rates for GS > 50 kW and Large User.
- a reconciliation of the revenue requirement comparing the fixed/variable splits used in the original calculations to the revised ratios.
- revised bill impacts based on the revised COS application rates.

| <b><u>Correction of Fixed/Variable split for G.S. &gt; 50 KW and Large use</u></b> |                                                              |                                                        |                                                         |                                                   |
|------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|
| <b><u>Table of Rates</u></b>                                                       | <b>Monthly<br/>Service Charge<br/><u>G.S. &gt; 50 kW</u></b> | <b>kW Variable<br/>Rate<br/><u>G.S. &gt; 50 kW</u></b> | <b>Monthly<br/>Service Charge<br/><u>Large User</u></b> | <b>kW Variable<br/>Rate<br/><u>Large User</u></b> |
| 2009 Current Rates                                                                 | 209.76                                                       | 2.2603                                                 | 10,447.04                                               | 1.0931                                            |
| 2010 Original COS application                                                      | 206.40                                                       | 2.5255                                                 | 8,730.51                                                | 1.4217                                            |
| 2010 Revised COS application                                                       | 238.49                                                       | 2.4135                                                 | 10,977.20                                               | 1.0026                                            |

**Reconciliation of revenue requirement and rates for revised fixed/variable splits**

|                                                           | Large<br>User     | General Service<br>> 50 kW |
|-----------------------------------------------------------|-------------------|----------------------------|
| Forecasted Data from Exhibit 3, Tab2, Schedule 1, Page 23 |                   |                            |
| Number of customers                                       | 2.00              | 221.00                     |
| kW sales                                                  | 128,687.00        | 782,812.00                 |
| kW subject to TA                                          | 128,687.00        | 505,368.00                 |
| Revenue Requirement                                       | 392,480.00        | 2,523,182.00               |
| Less transformer allowance                                | - 77,212.00       | - 305,922.00               |
| Net Revenue Requirement                                   | <u>315,268.00</u> | <u>2,217,260.00</u>        |

**Fixed/Variable Split calculated in original model based on existing rates**
**From Exhibit 8, Schedule 1, Page 5, Table 5**

|                                          | 2009 rate | 2010 Quantity | Ratio             | 2009 rate      | 2010 Quantity |              |                     |                |
|------------------------------------------|-----------|---------------|-------------------|----------------|---------------|--------------|---------------------|----------------|
| Fixed Portion based on existing rates    | 10,447.04 | x 2 x 12      | 250,728.96        | 66.46%         | 209.76        | x 220.5 x 12 | 555,082.00          | 24.63%         |
| Variable Portion based on existing rates | 0.9832    | 128,687       | <u>126,525.06</u> | <u>33.54%</u>  | 2.1694        | 782,812      | <u>1,698,232.35</u> | <u>75.37%</u>  |
| Gross revenue                            |           |               | <u>377,254.02</u> | <u>100.00%</u> |               |              | <u>2,253,314.35</u> | <u>100.00%</u> |
| Transformer allowance                    | - 0.60    | 128,687       | - 77,212.20       |                | - 0.60        | 509,870      | - 305,922.00        |                |
| Net revenue requirement                  |           |               | <u>300,041.82</u> |                |               |              | <u>1,947,392.35</u> |                |

**Corrected calculation of fixed/variable ratio**

|                                          | <u>2009 rate</u> | <u>2010 Quantity</u> |                    |         | <u>2009 rate</u> | <u>2010 Quantity</u> |                     |         |
|------------------------------------------|------------------|----------------------|--------------------|---------|------------------|----------------------|---------------------|---------|
| Fixed Portion based on existing rates    | 10,447.04        | x 2 x 12             | <u>250,728.96</u>  | 83.56%  | 209.76           | x 220.5 x 12         | <u>555,082.00</u>   | 28.50%  |
| Variable Portion based on existing rates | 0.9832           | 128,687              | 126,525.06         |         | 2.1694           | 782,812              | 1,698,232.35        |         |
| Transformer allowance                    | - 0.60           | 128,687              | - <u>77,212.20</u> |         | - 0.60           | 509,870              | - <u>305,922.00</u> |         |
| Net variable                             |                  |                      | 49,312.86          | 16.44%  |                  |                      | 1,392,310.35        | 71.50%  |
| Total                                    |                  |                      | <u>300,041.82</u>  | 100.00% |                  |                      | <u>1,947,392.35</u> | 100.00% |

**Original Generated Revenue Requirement**

| <u>Original Generated Revenue Requirement</u> | 2010 COS             |                 |                   |        | 2010 COS             |                      |                     |        |
|-----------------------------------------------|----------------------|-----------------|-------------------|--------|----------------------|----------------------|---------------------|--------|
|                                               | <u>Original rate</u> | <u>Quantity</u> |                   |        | <u>Original rate</u> | <u>2010 Quantity</u> |                     |        |
| Fixed portion                                 | 8730.51              | x 2 x 12        | 209,532.24        | 66.46% | 206.40               | x 220.5 x 12         | 546,190.29          | 24.63% |
| Variable portion                              | 1.4217               | 128,687         | 182,947.76        |        | 2.5255               | 782,812              | 1,976,991.71        |        |
| Transformer allowance                         | - 0.60               | 128,687         | - 77,212.20       |        | - 0.60               | 505,368              | - 305,922.00        |        |
|                                               |                      |                 | <u>315,267.80</u> |        |                      |                      | <u>2,217,260.00</u> |        |

**Revised Generated Revenue Requirement**

| <u>Revised Generated Revenue Requirement</u> | 2010 COS            |                 |                   |        | 2010 COS            |                 |                     |        |  |
|----------------------------------------------|---------------------|-----------------|-------------------|--------|---------------------|-----------------|---------------------|--------|--|
|                                              | <u>Revised rate</u> | <u>Quantity</u> |                   |        | <u>Revised rate</u> | <u>Quantity</u> |                     |        |  |
| Fixed portion                                | 10977.19            | x 12 x 2        | 263,452.56        | 83.56% | 238.49              | x 220.5 x 12    | 631,164.24          | 28.47% |  |
| Variable portion                             | 1.0026              | 128,687         | 129,027.44        |        | 2.4135              | 782,812         | 1,889,316.76        |        |  |
| Transformer allowance                        | - 0.60              | 128,687         | - 77,212.20       |        | - 0.60              | 505,368         | - 303,221.00        |        |  |
|                                              |                     |                 | <u>315,267.80</u> |        |                     |                 | <u>2,217,260.00</u> |        |  |

## GENERAL SERVICE > 50 kW

|                                 | 2009 BILL |            |                 | 2010 BILL |            |                 | IMPACT         |                |                 |
|---------------------------------|-----------|------------|-----------------|-----------|------------|-----------------|----------------|----------------|-----------------|
|                                 | Volume    | RATE<br>\$ | CHARGE<br>\$    | Volume    | RATE<br>\$ | CHARGE<br>\$    | Change<br>\$   | Change<br>%    | % of Total Bill |
| <b>Consumption</b>              |           |            |                 |           |            |                 |                |                |                 |
| <b>30,000 kWh</b>               |           |            |                 |           |            |                 |                |                |                 |
| <b>100 kW</b>                   |           |            |                 |           |            |                 |                |                |                 |
| Monthly Service Charge          |           |            | 209.76          |           |            | 238.49          | 28.73          | 13.70%         | 7.44%           |
| Distribution (kWh)              | 30,000    | 0.0000     | 0.00            | 30,000    | 0.0000     | 0.00            | 0.00           | 0.00%          | 0.00%           |
| Distribution (kW)               | 100       | 2.2603     | 226.03          | 100       | 2.4135     | 241.35          | 15.32          | 6.78%          | 7.52%           |
| Low Voltage Cost Recovery Adder |           |            |                 | 100       | 0.0591     | 5.91            | 5.91           | 0.00%          | 0.18%           |
| Smart Meter Rider (per month)   |           |            | 1.00            |           |            | 1.00            | 0.00           | 0.00%          | 0.03%           |
| Regulatory Assets (kW)          | 100       | 0.0000     | 0.00            | 100       | (0.3573)   | (35.73)         | (35.73)        | 100.00%        | (1.11%)         |
| <b>Sub-Total</b>                |           |            | <b>436.79</b>   |           |            | <b>451.02</b>   | <b>14.23</b>   | <b>3.26%</b>   | <b>14.06%</b>   |
| Other Charges (kWh)             | 30,843    | 0.0135     | 416.38          | 30,921    | 0.0135     | 417.43          | 1.05           | 0.25%          | 13.01%          |
| Other Charges (kW)              | 103       | 3.5180     | 361.69          | 103       | 3.0479     | 313.36          | (48.33)        | (13.36%)       | 9.77%           |
| Cost of Power Commodity (kWh)   | 30,843    | 0.0607     | 1,872.80        | 30,843    | 0.0607     | 1,872.80        | 0.00           | 0.00%          | 58.39%          |
| <b>Total Bill Before Taxes</b>  |           |            | <b>3,087.66</b> |           |            | <b>3,054.61</b> | <b>(33.05)</b> | <b>(1.07%)</b> | <b>95.24%</b>   |
| GST                             |           | 5.00%      | 154.38          |           | 5.00%      | 152.73          | (1.65)         | (1.07%)        | 4.76%           |
| <b>Total Bill</b>               |           |            | <b>3,242.04</b> |           |            | <b>3,207.34</b> | <b>(34.70)</b> | <b>(1.07%)</b> | <b>100.00%</b>  |



## GENERAL SERVICE > 50 kW

|                                 | 2009 BILL |            |                 | 2010 BILL |            |                 | IMPACT          |                |                 |
|---------------------------------|-----------|------------|-----------------|-----------|------------|-----------------|-----------------|----------------|-----------------|
|                                 | Volume    | RATE<br>\$ | CHARGE<br>\$    | Volume    | RATE<br>\$ | CHARGE<br>\$    | \$              | %              | % of Total Bill |
| <b>Consumption</b>              |           |            |                 |           |            |                 |                 |                |                 |
| <b>75,000 kWh</b>               |           |            |                 |           |            |                 |                 |                |                 |
| <b>250 kW</b>                   |           |            |                 |           |            |                 |                 |                |                 |
| Monthly Service Charge          |           |            | 209.76          |           |            | 238.49          | 28.73           | 13.70%         | 3.12%           |
| Distribution (kWh)              | 75,000    | 0.0000     | 0.00            | 75,000    | 0.0000     | 0.00            | 0.00            | 0.00%          | 0.00%           |
| Distribution (kW)               | 250       | 2.2603     | 565.08          | 250       | 2.4135     | 603.38          | 38.30           | 6.78%          | 7.88%           |
| Low Voltage Cost Recovery Adder |           |            |                 | 250       | 0.0591     | 14.78           | 14.78           | 0.00%          | 0.19%           |
| Smart Meter Rider (per month)   |           |            | 1.00            |           |            | 1.00            | 0.00            | 0.00%          | 0.01%           |
| Regulatory Assets (kW)          | 250       | 0.0000     | 0.00            | 250       | (0.3573)   | (89.33)         | (89.33)         | 100.00%        | (1.16686%)      |
| <b>Sub-Total</b>                |           |            | <b>775.84</b>   |           |            | <b>768.31</b>   | <b>(7.53)</b>   | <b>(0.97%)</b> | <b>10.04%</b>   |
| Other Charges (kWh)             | 77,108    | 0.0135     | 1,040.96        | 77,303    | 0.0135     | 1,043.59        | 2.63            | 0.25%          | 13.63%          |
| Other Charges (kW)              | 257       | 3.5180     | 904.22          | 258       | 3.0479     | 785.37          | (118.85)        | (13.14%)       | 10.26%          |
| Cost of Power Commodity (kWh)   | 77,108    | 0.0607     | 4,681.99        | 77,303    | 0.0607     | 4,693.82        | 11.83           | 0.25%          | 61.31%          |
| <b>Total Bill Before Taxes</b>  |           |            | <b>7,403.00</b> |           |            | <b>7,291.09</b> | <b>(111.92)</b> | <b>(1.51%)</b> | <b>95.24%</b>   |
| GST                             |           | 5.00%      | 370.15          |           | 5.00%      | 364.55          | (5.60)          | (1.51%)        | 4.76%           |
| <b>Total Bill</b>               |           |            | <b>7,773.15</b> |           |            | <b>7,655.64</b> | <b>(117.51)</b> | <b>(1.51%)</b> | <b>100.00%</b>  |

## GENERAL SERVICE > 50 kW

|                                 | 2009 BILL |            |                  | 2010 BILL |            |                  | IMPACT          |                |                 |
|---------------------------------|-----------|------------|------------------|-----------|------------|------------------|-----------------|----------------|-----------------|
|                                 | Volume    | RATE<br>\$ | CHARGE<br>\$     | Volume    | RATE<br>\$ | CHARGE<br>\$     | \$              | %              | % of Total Bill |
| <b>Consumption</b>              |           |            |                  |           |            |                  |                 |                |                 |
| <b>200,000 kWh</b>              |           |            |                  |           |            |                  |                 |                |                 |
| <b>500 kW</b>                   |           |            |                  |           |            |                  |                 |                |                 |
| Monthly Service Charge          |           |            | 209.76           |           |            | 238.49           | 28.73           | 13.70%         | 1.25%           |
| Distribution (kWh)              | 200,000   | 0.0000     | 0.00             | 200,000   | 0.0000     | 0.00             | 0.00            | 0.00%          | 0.00%           |
| Distribution (kW)               | 500       | 2.2603     | 1,130.15         | 500       | 2.4135     | 1,206.75         | 76.60           | 6.78%          | 6.33%           |
| Low Voltage Cost Recovery Adder |           |            |                  | 500       | 0.0591     | 29.55            | 29.55           | 0.00%          | 0.15%           |
| Smart Meter Rider (per month)   |           |            | 1.00             |           |            | 1.00             | 0.00            | 0.00%          | 0.01%           |
| Regulatory Assets (kW)          | 500       | 0.0000     | 0.00             | 500       | (0.3573)   | (178.66)         | (178.66)        | 100.00%        | (0.94%)         |
| <b>Sub-Total</b>                |           |            | <b>1,340.91</b>  |           |            | <b>1,297.13</b>  | <b>(43.78)</b>  | <b>(3.27%)</b> | <b>6.80%</b>    |
| Other Charges (kWh)             | 205,621   | 0.0135     | 2,775.89         | 206,141   | 0.0135     | 2,782.90         | 7.01            | 0.25%          | 14.59%          |
| Other Charges (kW)              | 514       | 3.5180     | 1,808.44         | 515       | 3.0479     | 1,570.74         | (237.70)        | (13.14%)       | 8.23%           |
| Cost of Power Commodity (kWh)   | 205,621   | 0.0607     | 12,485.32        | 206,141   | 0.0607     | 12,516.86        | 31.54           | 0.25%          | 65.62%          |
| <b>Total Bill Before Taxes</b>  |           |            | <b>18,410.55</b> |           |            | <b>18,167.62</b> | <b>(242.93)</b> | <b>(1.32%)</b> | <b>95.24%</b>   |
| GST                             |           | 5.00%      | 920.53           |           | 5.00%      | 908.38           | (12.15)         | (1.32%)        | 4.76%           |
| <b>Total Bill</b>               |           |            | <b>19,331.08</b> |           |            | <b>19,076.00</b> | <b>(255.07)</b> | <b>(1.32%)</b> | <b>100.00%</b>  |

## GENERAL SERVICE > 50 kW (Interval metered)

|                    |                                 | 2009 BILL |            |                  | 2010 BILL |            |                  | IMPACT          |                |                 |
|--------------------|---------------------------------|-----------|------------|------------------|-----------|------------|------------------|-----------------|----------------|-----------------|
|                    |                                 | Volume    | RATE<br>\$ | CHARGE<br>\$     | Volume    | RATE<br>\$ | CHARGE<br>\$     | \$              | %              | % of Total Bill |
| <b>Consumption</b> | Monthly Service Charge          |           |            | 209.76           |           |            | 238.49           | 28.73           | 13.70%         | 0.31%           |
| <b>800,000 kWh</b> | Distribution (kWh)              | 800,000   | 0.0000     | 0.00             | 800,000   | 0.0000     | 0.00             | 0.00            | 0.00%          | 0.00%           |
| <b>2,000 kW</b>    | Distribution (kW)               | 2,000     | 2.2603     | 4,520.60         | 2,000     | 2.4135     | 4,827.00         | 306.40          | 6.78%          | 6.29%           |
|                    | Low Voltage Cost Recovery Adder |           |            |                  | 2,000     | 0.0591     | 118.20           | 118.20          | 0.00%          | 0.15%           |
|                    | Smart Meter Rider (per month)   |           |            | 1.00             |           |            | 1.00             | 0.00            | 0.00%          | 0.00%           |
|                    | Regulatory Assets (kW)          | 2,000     | 0.0000     | 0.00             | 2,000     | (0.3573)   | (714.64)         | (714.64)        | 100.00%        | (0.93152%)      |
|                    | <b>Sub-Total</b>                |           |            | <b>4,731.36</b>  |           |            | <b>4,470.05</b>  | <b>(261.31)</b> | <b>(5.52%)</b> | <b>5.83%</b>    |
|                    | Other Charges (kWh)             | 822,485   | 0.0135     | 11,103.54        | 824,563   | 0.0135     | 11,131.59        | 28.05           | 0.25%          | 14.51%          |
|                    | Other Charges (kW)              | 2,056     | 3.7877     | 7,788.31         | 2,061     | 3.5879     | 7,396.07         | (392.24)        | (5.04%)        | 9.64%           |
|                    | Cost of Power Commodity (kWh)   | 822,485   | 0.0607     | 49,941.26        | 824,563   | 0.0607     | 50,067.44        | 126.17          | 0.25%          | 65.26%          |
|                    | <b>Total Bill Before Taxes</b>  |           |            | <b>73,564.48</b> |           |            | <b>73,065.15</b> | <b>(499.33)</b> | <b>(0.68%)</b> | <b>95.24%</b>   |
|                    | GST                             |           | 5.00%      | 3,678.22         |           | 5.00%      | 3,653.26         | (24.97)         | (0.68%)        | 4.76%           |
|                    | <b>Total Bill</b>               |           |            | <b>77,242.70</b> |           |            | <b>76,718.40</b> | <b>(524.30)</b> | <b>(0.68%)</b> | <b>100.00%</b>  |

## GENERAL SERVICE > 50 kW (interval metered with transformer)

|                                 | 2009 BILL |            |                   | 2010 BILL |            |                   | IMPACT            |                |                 |
|---------------------------------|-----------|------------|-------------------|-----------|------------|-------------------|-------------------|----------------|-----------------|
|                                 | Volume    | RATE<br>\$ | CHARGE<br>\$      | Volume    | RATE<br>\$ | CHARGE<br>\$      | \$                | %              | % of Total Bill |
| <b>Consumption</b>              |           |            |                   |           |            |                   |                   |                |                 |
| <b>1,600,000 kWh</b>            |           |            |                   |           |            |                   |                   |                |                 |
| <b>4,000 kW</b>                 |           |            |                   |           |            |                   |                   |                |                 |
| Monthly Service Charge          |           |            | 209.76            |           |            | 238.49            | 28.73             | 13.70%         | 0.16%           |
| Distribution (kWh)              | 1,600,000 | 0.0000     | 0.00              | 1,600,000 | 0.0000     | 0.00              | 0.00              | 0.00%          | 0.00%           |
| Distribution (kW)               | 4,000     | 2.2603     | 9,041.20          | 4,000     | 2.4135     | 9,654.00          | 612.80            | 6.78%          | 6.41%           |
| Low Voltage Cost Recovery Adder |           |            |                   | 4,000     | 0.0591     | 236.40            | 236.40            | 0.00%          | 3.29%           |
| Smart Meter Rider (per month)   |           |            | 1.00              |           |            | 1.00              | 0.00              | 0.00%          | 0.00%           |
| Transformer Credit              | 4,000     | (0.6000)   | (2,400.00)        | 4,000     | (0.6000)   | (2,400.00)        | 0.00              | 0.00%          | (1.59%)         |
| Regulatory Assets (kW)          | 4,000     | 0.0000     | 0.00              | 4,000     | (0.3573)   | (1,429.29)        | (1,429.29)        | 100.00%        | (0.95%)         |
| <b>Sub-Total</b>                |           |            | <b>6,851.96</b>   |           |            | <b>6,300.60</b>   | <b>(551.36)</b>   | <b>(8.05%)</b> | <b>7.32%</b>    |
| Other Charges (kWh)             | 1,644,969 | 0.0135     | 22,207.08         | 1,649,125 | 0.0135     | 22,263.19         | 56.10             | 0.25%          | 14.78%          |
| Other Charges (kW)              | 4,112     | 3.7877     | 15,576.62         | 4,123     | 3.5879     | 14,792.14         | (784.49)          | (5.04%)        | 9.82%           |
| Cost of Power Commodity (kWh)   | 1,644,969 | 0.0607     | 99,882.53         | 1,649,125 | 0.0607     | 100,134.87        | 252.34            | 0.25%          | 66.46%          |
| <b>Total Bill Before Taxes</b>  |           |            | <b>144,518.20</b> |           |            | <b>143,490.80</b> | <b>(1,027.40)</b> | <b>(0.71%)</b> | <b>98.38%</b>   |
| GST                             |           | 5.00%      | 7,225.91          |           | 5.00%      | 7,174.54          | (51.37)           | (0.71%)        | 4.76%           |
| <b>Total Bill</b>               |           |            | <b>151,744.11</b> |           |            | <b>150,665.34</b> | <b>(1,078.77)</b> | <b>(0.71%)</b> | <b>103.14%</b>  |

## LARGE USER (> 5000 kW)

|                                 | 2009 BILL |          |                   | 2010 BILL |          |                   | IMPACT            |                 |                 |
|---------------------------------|-----------|----------|-------------------|-----------|----------|-------------------|-------------------|-----------------|-----------------|
|                                 | Volume    | RATE \$  | CHARGE \$         | Volume    | RATE \$  | CHARGE \$         | Change \$         | Change %        | % of Total Bill |
| <b>Consumption</b>              |           |          |                   |           |          |                   |                   |                 |                 |
| <b>2,400,000 kWh</b>            |           |          |                   |           |          |                   |                   |                 |                 |
| <b>5,400 kW</b>                 |           |          |                   |           |          |                   |                   |                 |                 |
| Monthly Service Charge          |           |          | 10,447.04         |           |          | 10,977.20         | 530.16            | 5.07%           | 4.96%           |
| Distribution (kWh)              | 2,400,000 | 0.0000   | 0.00              | 2,400,000 | 0.0000   | 0.00              | 0.00              | 0.00%           | 0.00%           |
| Distribution (kW)               | 5,400     | 1.0931   | 5,902.74          | 5,400     | 1.0026   | 5,414.04          | (488.70)          | (8.28%)         | 2.45%           |
| Low Voltage Cost Recovery Adder |           |          |                   | 5,400     | 0.0718   | 387.72            | 387.72            | 0.00%           | 3.68%           |
| Smart Meter Rider (per month)   |           |          | 1.00              |           |          | 1.00              | 0.00              | 0.00%           | 0.00%           |
| Transformer Credit              | 5,400     | (0.6000) | (3,240.00)        | 5,400     | (0.6000) | (3,240.00)        | 0.00              | 0.00%           | (1.46%)         |
| Regulatory Assets (kW)          | 5,400     | 0.0000   | 0.00              | 5,400     | (0.5613) | (3,030.75)        | (3,030.75)        | 100.00%         | (1.37%)         |
| <b>Sub-Total</b>                |           |          | <b>13,110.78</b>  |           |          | <b>10,509.21</b>  | <b>(2,601.57)</b> | <b>(19.84%)</b> | <b>8.25%</b>    |
| Other Charges (kWh)             | 2,410,800 | 0.0135   | 32,545.80         | 2,418,000 | 0.0135   | 32,643.00         | 97.20             | 0.30%           | 14.74%          |
| Other Charges (kW)              | 5,424     | 4.2538   | 23,073.89         | 5,441     | 3.8375   | 20,877.89         | (2,196.00)        | (9.52%)         | 9.43%           |
| Cost of Power Commodity (kWh)   | 2,410,800 | 0.0607   | 146,383.78        | 2,418,000 | 0.0607   | 146,820.96        | 437.18            | 0.30%           | 66.32%          |
| <b>Total Bill Before Taxes</b>  |           |          | <b>215,114.24</b> |           |          | <b>210,851.06</b> | <b>(4,263.19)</b> | <b>(1.98%)</b>  | <b>98.74%</b>   |
| GST                             |           | 5.00%    | 10,755.71         |           | 5.00%    | 10,542.55         | (213.16)          | (1.98%)         | 4.76%           |
| <b>Total Bill</b>               |           |          | <b>225,869.96</b> |           |          | <b>221,393.61</b> | <b>(4,476.35)</b> | <b>(1.98%)</b>  | <b>103.50%</b>  |

## LARGE USER (> 5000 kW)

|                                 | 2009 BILL |          |                   | 2010 BILL |          |                   | IMPACT            |                 |                 |
|---------------------------------|-----------|----------|-------------------|-----------|----------|-------------------|-------------------|-----------------|-----------------|
|                                 | Volume    | RATE \$  | CHARGE \$         | Volume    | RATE \$  | CHARGE \$         | \$                | %               | % of Total Bill |
| <b>Consumption</b>              |           |          |                   |           |          |                   |                   |                 |                 |
| <b>3,100,000 kWh</b>            |           |          |                   |           |          |                   |                   |                 |                 |
| <b>7,500 kW</b>                 |           |          |                   |           |          |                   |                   |                 |                 |
|                                 |           |          |                   |           |          |                   |                   |                 |                 |
| Monthly Service Charge          |           |          | 10,447.04         |           |          | 10,977.20         | 530.16            | 5.07%           | 3.86%           |
| Distribution (kWh)              | 3,100,000 | 0.0000   | 0.00              | 3,100,000 | 0.0000   | 0.00              | 0.00              | 0.00%           | 0.00%           |
| Distribution (kW)               | 7,500     | 1.0931   | 8,198.25          | 7,500     | 1.0026   | 7,519.50          | (678.75)          | (8.28%)         | 2.64%           |
| Low Voltage Cost Recovery Adder |           |          |                   | 7,500     | 0.0718   | 538.50            | 538.50            | 0.00%           | 3.97%           |
| Smart Meter Rider (per month)   |           |          | 1.00              |           |          | 1.00              | 0.00              | 0.00%           | 0.00%           |
| Transformer Credit              | 7,500     | (0.6000) | (4,500.00)        | 7,500     | (0.6000) | (4,500.00)        | 0.00              | 0.00%           | (1.58%)         |
| Regulatory Assets (kW)          | 7,500     | 0.0000   | 0.00              | 7,500     | (0.5613) | (4,209.38)        | (4,209.38)        | 100.00%         | (1.48%)         |
| <b>Sub-Total</b>                |           |          | <b>14,146.29</b>  |           |          | <b>10,326.82</b>  | <b>(3,819.47)</b> | <b>(27.00%)</b> | <b>7.41%</b>    |
| Other Charges (kWh)             | 3,113,950 | 0.0135   | 42,038.33         | 3,123,250 | 0.0135   | 42,163.88         | 125.55            | 0.30%           | 14.81%          |
| Other Charges (kW)              | 7,534     | 4.2538   | 32,047.07         | 7,556     | 3.8375   | 28,997.06         | (3,050.00)        | (9.52%)         | 10.19%          |
| Cost of Power Commodity (kWh)   | 3,113,950 | 0.0607   | 189,079.04        | 3,123,250 | 0.0607   | 189,643.74        | 564.70            | 0.30%           | 66.61%          |
| <b>Total Bill Before Taxes</b>  |           |          | <b>277,310.72</b> |           |          | <b>271,131.50</b> | <b>(6,179.22)</b> | <b>(2.23%)</b>  | <b>99.02%</b>   |
| GST                             |           | 5.00%    | 13,865.54         |           | 5.00%    | 13,556.58         | (308.96)          | (2.23%)         | 4.76%           |
| <b>Total Bill</b>               |           |          | <b>291,176.26</b> |           |          | <b>284,688.08</b> | <b>(6,488.18)</b> | <b>(2.23%)</b>  | <b>103.78%</b>  |

## LARGE USER (> 5000 kW)

|                                 | 2009 BILL |          |                   | 2010 BILL |          |                   | IMPACT            |                 |                 |
|---------------------------------|-----------|----------|-------------------|-----------|----------|-------------------|-------------------|-----------------|-----------------|
|                                 | Volume    | RATE \$  | CHARGE \$         | Volume    | RATE \$  | CHARGE \$         | \$                | %               | % of Total Bill |
| <b>Consumption</b>              |           |          |                   |           |          |                   |                   |                 |                 |
| <b>4,200,000 kWh</b>            |           |          |                   |           |          |                   |                   |                 |                 |
| <b>10,000 kW</b>                |           |          |                   |           |          |                   |                   |                 |                 |
| Monthly Service Charge          |           |          | 10,447.04         |           |          | 10,977.20         | 530.16            | 5.07%           | 2.88%           |
| Distribution (kWh)              | 4,200,000 | 0.0000   | 0.00              | 4,200,000 | 0.0000   | 0.00              | 0.00              | 0.00%           | 0.00%           |
| Distribution (kW)               | 10,000    | 1.0931   | 10,931.00         | 10,000    | 1.0026   | 10,026.00         | (905.00)          | (8.28%)         | 2.63%           |
| Low Voltage Cost Recovery Adder |           |          |                   | 10,000    | 0.0718   | 718.00            | 718.00            | 0.00%           | 3.96%           |
| Smart Meter Rider (per month)   |           |          | 1.00              |           |          | 1.00              | 0.00              | 0.00%           | 0.00%           |
| Transformer Credit              | 10,000    | (0.6000) | (6,000.00)        | 10,000    | (0.6000) | (6,000.00)        | 0.00              | 0.00%           | (1.57%)         |
| Regulatory Assets (kW)          | 10,000    | 0.0000   | 0.00              | 10,000    | (0.5613) | (5,612.50)        | (5,612.50)        | 100.00%         | (1.47%)         |
| <b>Sub-Total</b>                |           |          | <b>15,379.04</b>  |           |          | <b>10,109.70</b>  | <b>(5,269.34)</b> | <b>(34.26%)</b> | <b>6.42%</b>    |
| Other Charges (kWh)             | 4,218,900 | 0.0135   | 56,955.15         | 4,231,500 | 0.0135   | 57,125.25         | 170.10            | 0.30%           | 14.99%          |
| Other Charges (kW)              | 10,045    | 4.2538   | 42,729.42         | 10,075    | 3.8375   | 38,662.75         | (4,066.67)        | (9.52%)         | 10.15%          |
| Cost of Power Commodity (kWh)   | 4,218,900 | 0.0607   | 256,171.61        | 4,231,500 | 0.0607   | 256,936.68        | 765.07            | 0.30%           | 67.44%          |
| <b>Total Bill Before Taxes</b>  |           |          | <b>371,235.22</b> |           |          | <b>362,834.38</b> | <b>(8,400.84)</b> | <b>(2.26%)</b>  | <b>99.01%</b>   |
| GST                             |           | 5.00%    | 18,561.76         |           | 5.00%    | 18,141.72         | (420.04)          | (2.26%)         | 4.76%           |
| <b>Total Bill</b>               |           |          | <b>389,796.98</b> |           |          | <b>380,976.10</b> | <b>(8,820.88)</b> | <b>(2.26%)</b>  | <b>103.77%</b>  |

## LARGE USER (> 5000 kW)

|                                 | 2009 BILL |          |                   | 2010 BILL |          |                   | IMPACT             |                 |                 |
|---------------------------------|-----------|----------|-------------------|-----------|----------|-------------------|--------------------|-----------------|-----------------|
|                                 | Volume    | RATE \$  | CHARGE \$         | Volume    | RATE \$  | CHARGE \$         | \$                 | %               | % of Total Bill |
| <b>Consumption</b>              |           |          |                   |           |          |                   |                    |                 |                 |
| <b>4,700,000 kWh</b>            |           |          |                   |           |          |                   |                    |                 |                 |
| <b>13,900 kW</b>                |           |          |                   |           |          |                   |                    |                 |                 |
| Monthly Service Charge          |           |          | 10,447.04         |           |          | 10,977.20         | 530.16             | 5.07%           | 2.52%           |
| Distribution (kWh)              | 4,700,000 | 0.0000   | 0.00              | 4,700,000 | 0.0000   | 0.00              | 0.00               | 0.00%           | 0.00%           |
| Distribution (kW)               | 13,900    | 1.0931   | 15,194.09         | 13,900    | 1.0026   | 13,936.14         | (1,257.95)         | (8.28%)         | 3.20%           |
| Low Voltage Cost Recovery Adder |           |          |                   | 13,900    | 0.0718   | 998.02            | 998.02             | 0.00%           | 4.81%           |
| Smart Meter Rider (per month)   |           |          | 1.00              |           |          | 1.00              | 0.00               | 0.00%           | 0.00%           |
| Transformer Credit              | 13,900    | (0.6000) | (8,340.00)        | 13,900    | (0.6000) | (8,340.00)        | 0.00               | 0.00%           | (1.91%)         |
| Regulatory Assets (kW)          | 13,900    | 0.0000   | 0.00              | 13,900    | (0.5613) | (7,801.38)        | (7,801.38)         | 100.00%         | (1.79%)         |
| <b>Sub-Total</b>                |           |          | <b>17,302.13</b>  |           |          | <b>9,770.98</b>   | <b>(7,531.15)</b>  | <b>(43.53%)</b> | <b>6.82%</b>    |
| Other Charges (kWh)             | 4,721,150 | 0.0135   | 63,735.53         | 4,735,250 | 0.0135   | 63,925.88         | 190.35             | 0.30%           | 14.67%          |
| Other Charges (kW)              | 13,963    | 4.2538   | 59,393.90         | 14,004    | 3.8375   | 53,741.23         | (5,652.67)         | (9.52%)         | 12.33%          |
| Cost of Power Commodity (kWh)   | 4,721,150 | 0.0607   | 286,668.23        | 4,735,250 | 0.0607   | 287,524.38        | 856.15             | 0.30%           | 65.99%          |
| <b>Total Bill Before Taxes</b>  |           |          | <b>427,099.78</b> |           |          | <b>414,962.47</b> | <b>(12,137.31)</b> | <b>(2.84%)</b>  | <b>99.82%</b>   |
| GST                             |           | 5.00%    | 21,354.99         |           | 5.00%    | 20,748.12         | (606.87)           | (2.84%)         | 4.76%           |
| <b>Total Bill</b>               |           |          | <b>448,454.77</b> |           |          | <b>435,710.59</b> | <b>(12,744.18)</b> | <b>(2.84%)</b>  | <b>104.58%</b>  |



## ***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.

### **RESPONSE:**

**There are two amounts which make up the balance of \$670,623:**

- 1. \$661,623 related to 3rd MARR installment, which was part of the approved 2005 RAM model and**
- 2. \$9,000 approved as part of the 2006 Cost of service rate application for distribution of LED lights to residential customer. This \$9,000 was not included in the 2008 Annual report of Funding via 3<sup>rd</sup> MARR. It was reported in a separate report to the Board called 2008 Annual Report CDM funded via distribution rates.**

**Regarding the final Board order RP-2004-0203/EB-2004-0520, Festival Hydro is not aware of how the \$660,343 was derived and why there was a difference of \$1,280 from the OEB approved 2005 RAM models. In 2005, Festival Hydro received from the OEB final copies of the 2005 RAM models in excel format. The following amounts are reported on Sheet # 2 Adding Final 3<sup>rd</sup> MARR, entered on the line called “Enter the final MARR installments”:**

| 2005 Approved RAM Model                   | 3 <sup>rd</sup> MARR Amount for CDM |
|-------------------------------------------|-------------------------------------|
| Festival Hydro Co-Application             | \$645,334                           |
| Festival Hydro Seaforth Residential Rates | 12,969                              |
| Festival Hydro Hensall Residential Rates  | 3,320                               |
| Total per excel RAM models                | \$661,623                           |

In addition, the approved 1<sup>st</sup> and 2<sup>nd</sup> tranche approved MARR amounts were \$661,623 as well.

To reduce the balance to agree to the Final Board order RP-2004-0203/EB-2004-0520 of \$660,343, Festival Hydro will charge the \$1,820 against its 2009 operations.

- b) Please explain why the balance in account 1565 (and the corresponding offsetting balance in 1566) is not zero.

**RESPONSE:**

In account # 1565, we recorded all the recoveries of the approved 3<sup>rd</sup> tranche MARR funding of \$661,623 as well recorded the \$9,000 recovery arising from the approved 2006 CDM distribution rate rider. Account #1566 was the account used to keep track of our spending so that on an ongoing basis Festival Hydro could easily determine how much was collected versus spent. This is why account # 1565 on our records has a balance which is equal to the amount spent in #1566. All CDM funding received was spent in its entirety.

- 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.

**RESPONSE:**

There is a balance in # 1565 as a result of our accounting treatment as opposed to our spending practices. Our accounting practices did not directly follow Article 220. In order that proper accounting treatment is in place, we request the Board allow Festival Hydro to retroactively adjust its accounting for the expenditures so we may move the spending portion from #1566 to USOA # 1565. The balance in 1565 will then be zero.

- 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.

**RESPONSE:**

As described in c). above, accounting procedures were not consistent with Article 220 of the Accounting Procedures Handbook and the Board's FAQs dated December 2005. Festival Hydro request retroactive treatment so we may charge the expenditures to Acct # 1565 and clear both Account # 1565 and account # 1566 to zero.

**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.

**RESPONSE:**

The breakdown of Account # 1588 RSVA Power is provided in Exhibit 9, Tab 1, Schedule 2 Page 3 of 5. Festival Hydro separated the G.A. sub account from the remaining RSVA power variance on this schedule. (G.A. Sub account (non-RPP global adjustment)– Dec 31, 2008 principal of \$553,697 and interest to April 23, 2010 of \$21,773; Remaining balance Dec 31, 2008 principal of \$179,553 and interest to April 30, 2010 of 131,591; Total account # 1588 principal at Dec 31, 2008 of \$733,250 and interest to April 30, 2010 of \$153,364).

- b) Please confirm that the Global Adjustment principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.

**RESPONSE:**

The global adjustment principal balance is based on the procedures as described on page 36 of the Accounting Procedures Handbook. It contains the net of the global adjustment billed to non-RPP customers and the global adjustment charged by the IESO related to non-RPP customers.

- 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.

**RESPONSE:**

Exhibit 9, Tab 1, Schedule 2 Appendix A provides the Method of Disposition of Accounts. On this original schedule, the Global Adjustment sub account has been separated from the remaining RSVA Power variance amount. In order to dispose of the global

**adjustment, we have used the 2008 non-RPP kWh sales by class to arrive at the applicable allocator for each rate class.**

- 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.

**RESPONSE:**

**The separate rate rider has been determined based on 2008 non-RPP kWh sold allocated amounts applied to the 2010 non-RPP consumption data, and is illustrated in the table below.**

| Rate Classes                 | 2010 forecasted kWh | Allocator based on 2010 kWhs | 2008 Non RPP kWh   | Allocator for 2010 based on 2008 non-RPP kWhs | Allocation of the \$575,470 sub G.A. | Reg asset Rate rider as originally reported | Rate rider for G.A. sub account only | Rate rider excluding G.A. sub | Allocator |
|------------------------------|---------------------|------------------------------|--------------------|-----------------------------------------------|--------------------------------------|---------------------------------------------|--------------------------------------|-------------------------------|-----------|
| RESIDENTIAL CLASS            | 131,547,184         | 22.4%                        | 27,584,013         | 6.7%                                          | 38,481                               | - 0.0009                                    | 0.0001                               | - 0.0010                      | kWh       |
| GENERAL SERVICE <50 KW CLASS | 62,887,041          | 10.7%                        | 14,512,693         | 3.5%                                          | 20,246                               | - 0.0010                                    | 0.0001                               | - 0.0011                      | kWh       |
| GENERAL SERVICE >50 KW       | 308,262,669         | 52.6%                        | 301,254,388        | 73.0%                                         | 420,267                              | - 0.3573                                    | 0.1354                               | - 0.4927                      | kW        |
| RESIDENTIAL HENSALL          | 3,861,724           | 0.7%                         | 808,731            | 0.2%                                          | 1,128                                | - 0.0010                                    | 0.0001                               | - 0.0011                      | kWh       |
| LARGE USER CLASS             | 74,918,429          | 12.8%                        | 65,544,852         | 15.9%                                         | 91,439                               | - 0.5613                                    | 0.1776                               | - 0.7389                      | kW        |
| UNMETERED SCATTERED LOADS    | 629,732             | 0.1%                         | 0                  | 0.0%                                          | 0                                    | - 0.0008                                    | -                                    | - 0.0008                      | kWh       |
| SENTINEL LIGHTS              | 234,690             | 0.0%                         | 0                  | 0.0%                                          | 0                                    | - 0.3976                                    | -                                    | - 0.3976                      | kW        |
| STREET LIGHTING              | 3,904,130           | 0.7%                         | 2,801,582          | 0.7%                                          | 3,908                                | - 0.2846                                    | 0.0868                               | - 0.3714                      | kW        |
|                              |                     |                              |                    |                                               |                                      |                                             |                                      |                               |           |
| <b>Totals</b>                | <b>586,245,601</b>  | <b>100%</b>                  | <b>412,506,260</b> | <b>100%</b>                                   | <b>575,470</b>                       |                                             |                                      |                               |           |

- 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.

**RESPONSE:**

**Festival Hydro is of the opinion that the sub account rater rider should apply to MUSH accounts. Most of the municipalities, school boards and hospitals in our service territory were with retailers in 2008 and are currently with retailers. With the change in MUSH pricing effective November 1, 2009, all MUSH accounts with > 50 kW demand per month are no longer eligible for RPP pricing. MUSH should be afforded the same treatment as non-MUSH accounts, especially when most have been with retailers and not paying the RPP price.**

- 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?

**RESPONSE:**

**Festival Hydro does not have the ability to exclude MUSH only accounts from the rate rider. Special system changes would be required to our billing system.**

- g) Please provide a variation of the rate rider calculations for the remaining accounts, excluding the Power (GA) sub-account.

**RESPONSE:**

**Under part (d) of this question is a table which shows the total 2010 forecasted kWh sales data and that portion of the total which is 2010 forecasted non-RPP sales data. The non-RPP sales kWh has been used as the allocator of the GA sub account to each class. Also show is the original reported rate riders, the separation of the G.A. sub account only rate rider and the net rate rider excluding G.A. 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?

**RESPONSE:**

In principle FHI accepts the use of deferral accounts to protect both consumers and utilities in cases of changes to external items such as tax rates. In some cases the effects of such changes are readily determinable. The cost impact to FHI on the transition to HST however, is unknown at this time and may never be accurately determined. The cost impact will consist of the (effective) removal of an 8% tax component on both capital goods and other operating supplies and services, offset by the fact that depending on market conditions for each of those goods and services, prices will increase as suppliers fail to pass through the full tax reduction in prices. Information on the degree to which prices fail to reflect the full tax change will necessarily be speculative and in all probability could not form the basis for accounting entries. Therefore FHI does not accept that accurate entries could be made in such a deferral account if it were established.

- 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?

**RESPONSE:**

FHI has not considered any other alternatives to address this legislative change at this point as we are uncertain of the total impact on our OM&A costs due to the change.

#### **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.

**RESPONSE**

See revised work form attached in appendix A.

- 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.

**RESPONSE:**

See the listing attached in appendix B titled “Summary of Changes”.

**49. Responses to Letters of Comment**

- a) Following publication of the Notice of Application and Hearing, has Festival Hydro received any letters of comment?

**RESPONSE:**

**No.**

- 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.

**RESPONSE:**

**Not applicable.**





## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc. (1)  
 File Number: 2002-0513  
 Rate Year: 2010 Version: 1.0

### Table of Content

| <u>Sheet</u> | <u>Name</u>                                    |
|--------------|------------------------------------------------|
| A            | <a href="#">Data Input Sheet</a>               |
| 1            | <a href="#">Rate Base</a>                      |
| 2            | <a href="#">Utility Income</a>                 |
| 3            | <a href="#">Taxes/PILS</a>                     |
| 4            | <a href="#">Capitalization/Cost of Capital</a> |
| 5            | <a href="#">Revenue Sufficiency/Deficiency</a> |
| 6            | <a href="#">Revenue Requirement</a>            |
| 7            | <a href="#">Bill Impacts</a>                   |

#### Notes:

(1) Pale green cells represent inputs

(2) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**

#### **Copyright**

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## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

Rate Year: 2010

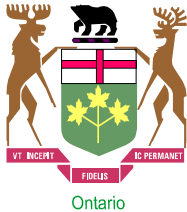
### Data Input (1)

|                                                  | Application    | Adjustments | Per Board Decision                |
|--------------------------------------------------|----------------|-------------|-----------------------------------|
| <b>1 Rate Base</b>                               |                |             |                                   |
| Gross Fixed Assets (average)                     | \$75,147,744   | (4)         | \$75,147,744                      |
| Accumulated Depreciation (average)               | (\$42,899,817) | (5)         | (\$42,899,817)                    |
| <b>Allowance for Working Capital:</b>            |                |             |                                   |
| Controllable Expenses                            | \$4,007,486    | (6)         | \$4,007,486                       |
| Cost of Power                                    | \$44,886,161   |             | \$44,886,161                      |
| Working Capital Rate (%)                         | 15.00%         |             |                                   |
| <b>2 Utility Income</b>                          |                |             |                                   |
| Operating Revenues:                              |                |             |                                   |
| Distribution Revenue at Current Rates            | \$8,872,663    |             |                                   |
| Distribution Revenue at Proposed Rates           | \$9,697,453    |             |                                   |
| <b>Other Revenue:</b>                            |                |             |                                   |
| Specific Service Charges                         | \$207,660      |             |                                   |
| Late Payment Charges                             | \$128,414      |             |                                   |
| Other Distribution Revenue                       | \$201,474      | (7)         |                                   |
| Other Income and Deductions                      | \$136,887      |             |                                   |
| <b>Operating Expenses:</b>                       |                |             |                                   |
| OM+A Expenses                                    | \$3,957,347    | (6)         | \$3,957,347                       |
| Depreciation/Amortization                        | \$2,655,496    |             | \$2,655,496                       |
| Property taxes                                   | \$30,000       |             | \$30,000                          |
| <b>Capital taxes</b>                             | \$20,139       |             |                                   |
| Other expenses                                   | \$ -           | \$ -        | \$0                               |
| <b>3 Taxes/PILs</b>                              |                |             |                                   |
| Taxable Income:                                  |                |             |                                   |
| Adjustments required to arrive at taxable income | \$526,532      | (3)         |                                   |
| <b>Utility Income Taxes and Rates:</b>           |                |             |                                   |
| Income taxes (not grossed up)                    | \$543,800      |             |                                   |
| <b>Income taxes (grossed up)</b>                 | \$780,197      |             |                                   |
| Capital Taxes                                    | \$20,139       |             |                                   |
| Federal tax (%)                                  | 18.00%         |             |                                   |
| Provincial tax (%)                               | 12.30%         | (8)         |                                   |
| Income Tax Credits                               |                |             |                                   |
| <b>4 Capitalization/Cost of Capital</b>          |                |             |                                   |
| <b>Capital Structure:</b>                        |                |             |                                   |
| Long-term debt Capitalization Ratio (%)          | 56.0%          |             |                                   |
| Short-term debt Capitalization Ratio (%)         | 4.0%           | (2)         | (2)                               |
| Common Equity Capitalization Ratio (%)           | 40.0%          |             |                                   |
| Preferred Shares Capitalization Ratio (%)        | 0.0%           |             |                                   |
|                                                  |                |             | Capital Structure must total 100% |
| <b>Cost of Capital</b>                           |                |             |                                   |
| Long-term debt Cost Rate (%)                     | 7.40%          |             |                                   |
| Short-term debt Cost Rate (%)                    | 1.33%          |             |                                   |
| Common Equity Cost Rate (%)                      | 8.01%          |             |                                   |
| Preferred Shares Cost Rate (%)                   | 0.00%          |             |                                   |

#### Notes:

This input sheet provides all inputs needed to complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the components. Notes should be put on the applicable pages to understand the context of each such note.

- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) 4.0% unless an Applicant has proposed or been approved for another amount.
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Reduced from original filing as a result of reducing the expected ongoing IFRS compliance costs by \$11k
- (7) Increased from original filing as a result of adding a \$15k margin on streetlighting services
- (8) This rate is the effective tax rate in Ontario taking into account the new corporate rate and changes to the small business rules effective July 1, 2010. The effective rate also includes the apprentice credits expected.



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

Rate Year: 2010

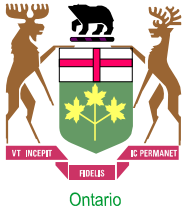
### Rate Base

| Line No. | Particulars                        |     | Application         | Adjustments | Per Board Decision  |
|----------|------------------------------------|-----|---------------------|-------------|---------------------|
| 1        | Gross Fixed Assets (average)       | (3) | \$75,147,744        | \$ -        | \$75,147,744        |
| 2        | Accumulated Depreciation (average) | (3) | (\$42,899,817)      | \$ -        | (\$42,899,817)      |
| 3        | Net Fixed Assets (average)         | (3) | \$32,247,927        | \$ -        | \$32,247,927        |
| 4        | Allowance for Working Capital      | (1) | \$7,334,047         | \$ -        | \$7,334,047         |
| 5        | <b>Total Rate Base</b>             |     | <b>\$39,581,974</b> | <b>\$ -</b> | <b>\$39,581,974</b> |

|                                                       |                           |     |              |      |              |
|-------------------------------------------------------|---------------------------|-----|--------------|------|--------------|
| <b>(1) Allowance for Working Capital - Derivation</b> |                           |     |              |      |              |
| 6                                                     | Controllable Expenses     |     | \$4,007,486  | \$ - | \$4,007,486  |
| 7                                                     | Cost of Power             |     | \$44,886,161 | \$ - | \$44,886,161 |
| 8                                                     | Working Capital Base      |     | \$48,893,647 | \$ - | \$48,893,647 |
| 9                                                     | Working Capital Rate %    | (2) | 15.00%       |      | 15.00%       |
| 10                                                    | Working Capital Allowance |     | \$7,334,047  | \$ - | \$7,334,047  |

#### Notes

- (2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.  
 (3) Average of opening and closing balances for the year.



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

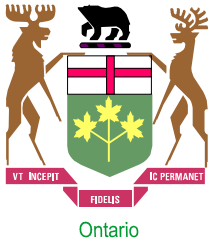
Rate Year: 2010

### Utility income

| Line No.                          | Particulars                              | Application  | Adjustments | Per Board Decision |
|-----------------------------------|------------------------------------------|--------------|-------------|--------------------|
| <b><u>Operating Revenues:</u></b> |                                          |              |             |                    |
| 1                                 | Distribution Revenue (at Proposed Rates) | \$9,697,453  | \$ -        | \$9,697,453        |
| 2                                 | Other Revenue (1)                        | \$674,435    | \$ -        | \$674,435          |
| 3                                 | Total Operating Revenues                 | \$10,371,888 | \$ -        | \$10,371,888       |
| <b><u>Operating Expenses:</u></b> |                                          |              |             |                    |
| 4                                 | OM+A Expenses                            | \$3,957,347  | \$ -        | \$3,957,347        |
| 5                                 | Depreciation/Amortization                | \$2,655,496  | \$ -        | \$2,655,496        |
| 6                                 | Property taxes                           | \$30,000     | \$ -        | \$30,000           |
| 7                                 | Capital taxes                            | \$20,139     | \$ -        | \$20,139           |
| 8                                 | Other expense                            | \$ -         | \$ -        | \$ -               |
| 9                                 | Subtotal                                 | \$6,662,982  | \$ -        | \$6,662,982        |
| 10                                | Deemed Interest Expense                  | \$1,660,502  | \$ -        | \$1,660,502        |
| 11                                | Total Expenses (lines 4 to 10)           | \$8,323,484  | \$ -        | \$8,323,484        |
| 12                                | Utility income before income taxes       | \$2,048,404  | \$ -        | \$2,048,404        |
| 13                                | Income taxes (grossed-up)                | \$780,197    | \$ -        | \$780,197          |
| 14                                | Utility net income                       | \$1,268,207  | \$ -        | \$1,268,207        |

### Notes

|     |                                                |           |           |
|-----|------------------------------------------------|-----------|-----------|
| (1) | <b><u>Other Revenues / Revenue Offsets</u></b> |           |           |
|     | Specific Service Charges                       | \$207,660 | \$207,660 |
|     | Late Payment Charges                           | \$128,414 | \$128,414 |
|     | Other Distribution Revenue                     | \$201,474 | \$201,474 |
|     | Other Income and Deductions                    | \$136,887 | \$136,887 |
|     | Total Revenue Offsets                          | \$674,435 | \$674,435 |



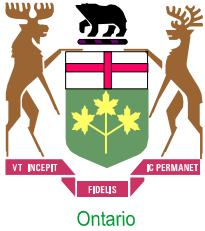
## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.  
 File Number: 2002-0513  
 Rate Year: 2010

### Taxes/PILs

| Line No.                                          | Particulars                                                    | Application        | Per Board Decision |
|---------------------------------------------------|----------------------------------------------------------------|--------------------|--------------------|
| <b><u>Determination of Taxable Income</u></b>     |                                                                |                    |                    |
| 1                                                 | Utility net income                                             | \$1,268,206        | \$1,268,206        |
| 2                                                 | Adjustments required to arrive at taxable utility income       | \$526,532          | \$526,532          |
| 3                                                 | Taxable income                                                 | <u>\$1,794,738</u> | <u>\$1,794,738</u> |
| <b><u>Calculation of Utility income Taxes</u></b> |                                                                |                    |                    |
| 4                                                 | Income taxes                                                   | \$543,800          | \$543,800          |
| 5                                                 | Capital taxes                                                  | <u>\$20,139</u>    | <u>\$20,139</u>    |
| 6                                                 | Total taxes                                                    | <u>\$563,939</u>   | <u>\$563,939</u>   |
| 7                                                 | Gross-up of Income Taxes                                       | <u>\$236,397</u>   | <u>\$236,397</u>   |
| 8                                                 | Grossed-up Income Taxes                                        | <u>\$780,197</u>   | <u>\$780,197</u>   |
| 9                                                 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$800,336</u>   | <u>\$800,336</u>   |
| 10                                                | Other tax Credits                                              | \$ -               | \$ -               |
| <b><u>Tax Rates</u></b>                           |                                                                |                    |                    |
| 11                                                | Federal tax (%)                                                | 18.00%             | 18.00%             |
| 12                                                | Provincial tax (%)                                             | <u>12.30%</u>      | <u>12.30%</u>      |
| 13                                                | Total tax rate (%)                                             | <u>30.30%</u>      | <u>30.30%</u>      |

### Notes



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

Rate Year: 2010

### Capitalization/Cost of Capital

| Line No. | Particulars        | Capitalization Ratio |              | Cost Rate | Return      |
|----------|--------------------|----------------------|--------------|-----------|-------------|
|          | Application        |                      |              |           |             |
|          |                    | (%)                  | (\$)         | (%)       | (\$)        |
|          | Debt               |                      |              |           |             |
| 1        | Long-term Debt     | 56.00%               | \$22,165,905 | 7.40%     | \$1,639,444 |
| 2        | Short-term Debt    | 4.00%                | \$1,583,279  | 1.33%     | \$21,058    |
| 3        | Total Debt         | 60.00%               | \$23,749,184 | 6.99%     | \$1,660,502 |
|          | Equity             |                      |              |           |             |
| 4        | Common Equity      | 40.00%               | \$15,832,790 | 8.01%     | \$1,268,206 |
| 5        | Preferred Shares   | 0.00%                | \$ -         | 0.00%     | \$ -        |
| 6        | Total Equity       | 40.00%               | \$15,832,790 | 8.01%     | \$1,268,206 |
| 7        | Total              | 100%                 | \$39,581,974 | 7.40%     | \$2,928,708 |
|          | Per Board Decision |                      |              |           |             |
|          |                    | (%)                  | (\$)         | (%)       |             |
|          | Debt               |                      |              |           |             |
| 8        | Long-term Debt     | 56.00%               | \$22,165,905 | 7.40%     | \$1,639,444 |
| 9        | Short-term Debt    | 4.00%                | \$1,583,279  | 1.33%     | \$21,058    |
| 10       | Total Debt         | 60.00%               | \$23,749,184 | 6.99%     | \$1,660,502 |
|          | Equity             |                      |              |           |             |
| 11       | Common Equity      | 40.0%                | \$15,832,790 | 8.01%     | \$1,268,206 |
| 12       | Preferred Shares   | 0.0%                 | \$ -         | 0.00%     | \$ -        |
| 13       | Total Equity       | 40.0%                | \$15,832,790 | 8.01%     | \$1,268,206 |
| 14       | Total              | 100%                 | \$39,581,974 | 7.40%     | \$2,928,708 |

#### Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.



# REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

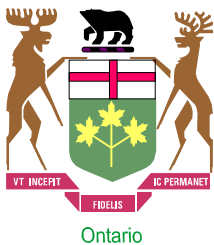
Rate Year: 2010

## Revenue Sufficiency/Deficiency

| Line No. | Particulars                                 | Per Application           |                     | Per Board Decision        |                     |
|----------|---------------------------------------------|---------------------------|---------------------|---------------------------|---------------------|
|          |                                             | At Current Approved Rates | At Proposed Rates   | At Current Approved Rates | At Proposed Rates   |
| 1        | Revenue Deficiency from Below               |                           | \$824,790           |                           | \$824,790           |
| 2        | Distribution Revenue                        | \$8,872,663               | \$8,872,663         | \$8,872,663               | \$8,872,663         |
| 3        | Other Operating Revenue Offsets - net       | \$674,435                 | \$674,435           | \$674,435                 | \$674,435           |
| 4        | <b>Total Revenue</b>                        | <b>\$9,547,098</b>        | <b>\$10,371,888</b> | <b>\$9,547,098</b>        | <b>\$10,371,888</b> |
| 5        | Operating Expenses                          | \$6,662,982               | \$6,662,982         | \$6,662,982               | \$6,662,982         |
| 6        | Deemed Interest Expense                     | \$1,660,502               | \$1,660,502         | \$1,660,502               | \$1,660,502         |
|          | <b>Total Cost and Expenses</b>              | <b>\$8,323,484</b>        | <b>\$8,323,484</b>  | <b>\$8,323,484</b>        | <b>\$8,323,484</b>  |
| 7        | <b>Utility Income Before Income Taxes</b>   | <b>\$1,223,614</b>        | <b>\$2,048,404</b>  | <b>\$1,223,614</b>        | <b>\$2,048,404</b>  |
|          | Tax Adjustments to Accounting               |                           |                     |                           |                     |
| 8        | Income per 2009 PILs                        | \$526,532                 | \$526,532           | \$526,532                 | \$526,532           |
| 9        | <b>Taxable Income</b>                       | <b>\$1,750,146</b>        | <b>\$2,574,936</b>  | <b>\$1,750,146</b>        | <b>\$2,574,936</b>  |
| 10       | Income Tax Rate                             | 30.30%                    | 30.30%              | 30.30%                    | 30.30%              |
| 11       | <b>Income Tax on Taxable Income</b>         | <b>\$530,289</b>          | <b>\$780,198</b>    | <b>\$530,289</b>          | <b>\$780,198</b>    |
| 12       | <b>Income Tax Credits</b>                   | <b>\$ -</b>               | <b>\$ -</b>         | <b>\$ -</b>               | <b>\$ -</b>         |
| 13       | <b>Utility Net Income</b>                   | <b>\$693,325</b>          | <b>\$1,268,207</b>  | <b>\$693,325</b>          | <b>\$1,268,207</b>  |
| 14       | <b>Utility Rate Base</b>                    | <b>\$39,581,974</b>       | <b>\$39,581,974</b> | <b>\$39,581,974</b>       | <b>\$39,581,974</b> |
|          | Deemed Equity Portion of Rate Base          | \$15,832,790              | \$15,832,790        | \$15,832,790              | \$15,832,790        |
| 15       | Income/Equity Rate Base (%)                 | 4.38%                     | 8.01%               | 4.38%                     | 8.01%               |
| 16       | Target Return - Equity on Rate Base         | 8.01%                     | 8.01%               | 8.01%                     | 8.01%               |
|          | Sufficiency/Deficiency in Return on Equity  | -3.63%                    | 0.00%               | -3.63%                    | 0.00%               |
| 17       | Indicated Rate of Return                    | 5.95%                     | 7.40%               | 5.95%                     | 7.40%               |
| 18       | Requested Rate of Return on Rate Base       | 7.40%                     | 7.40%               | 7.40%                     | 7.40%               |
| 19       | Sufficiency/Deficiency in Rate of Return    | -1.45%                    | 0.00%               | -1.45%                    | 0.00%               |
| 20       | Target Return on Equity                     | \$1,268,206               | \$1,268,206         | \$1,268,206               | \$1,268,206         |
| 21       | Revenue Sufficiency/Deficiency              | \$574,881                 | \$0                 | \$574,881                 | \$0                 |
| 22       | <b>Gross Revenue Sufficiency/Deficiency</b> | <b>\$824,790 (1)</b>      |                     | <b>\$824,790 (1)</b>      |                     |

### Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

Rate Year: 2010

| Revenue Requirement |                                                                                         |                     |                     |
|---------------------|-----------------------------------------------------------------------------------------|---------------------|---------------------|
| Line No.            | Particulars                                                                             | Application         | Per Board Decision  |
| 1                   | OM&A Expenses                                                                           | \$3,957,347         | \$3,957,347         |
| 2                   | Amortization/Depreciation                                                               | \$2,655,496         | \$2,655,496         |
| 3                   | Property Taxes                                                                          | \$30,000            | \$30,000            |
| 4                   | Capital Taxes                                                                           | \$20,139            | \$20,139            |
| 5                   | Income Taxes (Grossed up)                                                               | \$780,197           | \$780,197           |
| 6                   | Other Expenses                                                                          | \$ -                | \$ -                |
| 7                   | Return                                                                                  |                     |                     |
|                     | Deemed Interest Expense                                                                 | \$1,660,502         | \$1,660,502         |
|                     | Return on Deemed Equity                                                                 | \$1,268,206         | \$1,268,206         |
| 8                   | Distribution Revenue Requirement before Revenues                                        | <u>\$10,371,888</u> | <u>\$10,371,888</u> |
| 9                   | Distribution revenue                                                                    | \$9,697,453         | \$9,697,453         |
| 10                  | Other revenue                                                                           | <u>\$674,435</u>    | <u>\$674,435</u>    |
| 11                  | <b>Total revenue</b>                                                                    | <u>\$10,371,888</u> | <u>\$10,371,888</u> |
| 12                  | <b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b> | <u>\$0 (1)</u>      | <u>\$0 (1)</u>      |

### Notes

(1)

Line 11 - Line 8





## REVENUE REQUIREMENT WORK FORM

Name of LDC: Festival Hydro Inc.

File Number: 2002-0513

Rate Year: 2010

|             |                | Selected Delivery Charge and Bill Impacts<br>Per Draft Rate Order |                         |         |      |  |            |                         |         |      |
|-------------|----------------|-------------------------------------------------------------------|-------------------------|---------|------|--|------------|-------------------------|---------|------|
|             |                | Monthly Delivery Charge                                           |                         |         |      |  | Total Bill |                         |         |      |
|             |                | Current                                                           | Per Draft<br>Rate Order | Change  |      |  | Current    | Per Draft<br>Rate Order | Change  |      |
|             |                |                                                                   |                         | \$      | %    |  |            |                         | \$      | %    |
| Residential | 800 kWh/month  | \$ 35.71                                                          | \$ 36.81                | \$ 1.10 | 3.1% |  | \$ 98.91   | \$ 100.21               | \$ 1.30 | 1.3% |
| GS < 50kW   | 2000 kWh/month | \$ 75.40                                                          | \$ 78.47                | \$ 3.07 | 4.1% |  | \$ 243.31  | \$ 246.93               | \$ 3.62 | 1.5% |

Notes:

**Festival Hydro Inc.  
Summary of Proposed Changes**

|                                                                                                                                                                       | Regulated<br>Return on<br>Capital | Regulated<br>Rate of<br>Return | Rate Base           | Working<br>Capital  | Working<br>Capital<br>Allowance | Amortization       | PILs             | OM&A               | Service<br>Revenue<br>Requirement | Base<br>Revenue<br>Requirement | Gross<br>Revenue<br>Deficiency |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|--------------------|------------------|--------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>Original Submission August 2009</b>                                                                                                                                | <b>\$2,928,832</b>                | <b>7.40%</b>                   | <b>\$39,583,651</b> | <b>\$48,904,825</b> | <b>\$7,335,724</b>              | <b>\$2,655,496</b> | <b>\$908,589</b> | <b>\$4,018,664</b> | <b>\$10,511,581</b>               | <b>\$9,852,131</b>             | <b>\$979,468</b>               |
| IFRS reduction in ongoing compliance cost estimate from \$25k/yr to \$14k/yr                                                                                          | <b>\$2,928,710</b>                | <b>7.40%</b>                   | <b>\$39,582,001</b> | <b>\$48,893,825</b> | <b>\$7,334,074</b>              | <b>\$2,655,496</b> | <b>\$908,564</b> | <b>\$4,007,664</b> | <b>\$10,500,434</b>               | <b>\$9,840,984</b>             | <b>\$968,331</b>               |
| Change                                                                                                                                                                | \$ (122)                          |                                | \$ (1,650)          | \$ (11,000)         | \$ (1,650)                      | \$ -               | \$ (25)          | \$ (11,000)        | \$ (11,147)                       | \$ (11,147)                    | \$ (11,137)                    |
| Streetlighting margin added of \$15k                                                                                                                                  | <b>\$2,928,832</b>                | <b>7.40%</b>                   | <b>\$39,583,651</b> | <b>\$48,904,825</b> | <b>\$7,335,724</b>              | <b>\$2,655,496</b> | <b>\$908,589</b> | <b>\$4,018,664</b> | <b>\$10,511,581</b>               | <b>\$9,837,146</b>             | <b>\$964,497</b>               |
| Change                                                                                                                                                                | \$ -                              |                                | \$ -                | \$ -                | \$ -                            | \$ -               | \$ -             | \$ -               | \$ -                              | \$ (14,985)                    | \$ (14,971)                    |
| PILs Correction for addition reclass on application software, inclusion in UCC of FMV bump, Ontario corporate rate change, application of Ontario small business rate | <b>\$2,928,708</b>                | <b>7.40%</b>                   | <b>\$39,581,974</b> | <b>\$48,893,647</b> | <b>\$7,334,047</b>              | <b>\$2,655,496</b> | <b>\$780,198</b> | <b>\$4,007,486</b> | <b>\$10,371,887</b>               | <b>\$9,697,453</b>             | <b>\$824,790</b>               |
| Change                                                                                                                                                                | \$ (124)                          |                                | \$ (1,677)          | \$ (11,178)         | \$ (1,677)                      | \$ -               | \$ (128,391)     | \$ (11,178)        | \$ (139,694)                      | \$ (154,678)                   | \$ (154,678)                   |
| <b>Proposed at January 7, 2009</b>                                                                                                                                    | <b>\$2,928,708</b>                | <b>7.40%</b>                   | <b>\$39,581,974</b> | <b>\$48,893,647</b> | <b>\$7,334,047</b>              | <b>\$2,655,496</b> | <b>\$780,198</b> | <b>\$4,007,486</b> | <b>\$10,371,887</b>               | <b>\$9,697,453</b>             | <b>\$824,790</b>               |