

**Festival Hydro Inc.
2013 IRM Rate Application
Board Staff Interrogatories**

**1. Ref: 2013 IRM3 Tax Savings Work Form, Sheet #5
Ref: Festival Hydro's response to comments on Draft Rate Order (DRO)
(EB-2009-0263, April 28, 2010)**

Board Staff notes that the taxable capital amount entered on Sheet #5 of the 2013 IRM3 Tax Savings Work Form is \$42,140,000. This is inconsistent with the amount approved by the Board in Festival Hydro's 2010 Cost of Service case (EB-2009-0263) of \$40,127,578.

Below is a copy of sheet #4 of Festival Hydro's updated revenue requirement workform submitted as part of appendix A in its response to comments on its DRO on April 28, 2010.

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Application					
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$22,166,845	7.40%	\$1,639,514
2	Short-term Debt	4.00%	\$1,583,346	1.33%	\$21,059
3	Total Debt	60.00%	\$23,750,191	6.99%	\$1,660,572
	Equity				
4	Common Equity	40.00%	\$15,833,460	8.01%	\$1,268,260
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$15,833,460	8.01%	\$1,268,260
7	Total	100%	\$39,583,651	7.40%	\$2,928,832
Per Board Decision					
		(%)	(\$)	(%)	
	Debt				
8	Long-term Debt	56.00%	\$22,471,444	5.68%	\$1,276,862
9	Short-term Debt	4.00%	\$1,605,103	2.07%	\$33,226
10	Total Debt	60.00%	\$24,076,547	5.44%	\$1,310,088
	Equity				
11	Common Equity	40.0%	\$16,051,031	9.85%	\$1,581,027
12	Preferred Shares	0.0%	\$ -	0.00%	\$ -
13	Total Equity	40.0%	\$16,051,031	9.85%	\$1,581,027
14	Total	100%	\$40,127,578	7.20%	\$2,891,114

a) Please confirm the correct 2010 taxable capital amount.

- b) If this amount differs from the 2010 Board approved amount, please provide an explanation reconciling the difference.

Note: If needed, Board staff will update the tax savings work form.

2. Ref: 2013 IRM3 RTSR Work form, Sheet #4

Please confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by Festival Hydro’s Board-approved loss factor.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	137,110,454		1.0307		141,319,745	-
Residential - Hensall	kWh	3,814,545		1.0307		3,931,652	-
General Service Less Than 50 kW	kWh	63,567,429		1.0307		65,518,949	-
General Service 50 to 4,999 kW	kW	47,345,637	132,852		48.85%	47,345,637	132,852
General Service 50 to 4,999 kW – Interval Metered	kW	295,051,789	760,654		53.17%	295,051,789	760,654
Large Use	kW	30,589,560	59,443		70.53%	30,589,560	59,443
Unmetered Scattered Load	kWh	666,441		1.0307		686,901	-
Sentinel Lighting	kW	200,336	556		49.39%	200,336	556
Street Lighting	kW	4,206,123	11,209		51.43%	4,206,123	11,209

3. Ref: OEB RRR 2.1.5 Filing

As per Festival Hydro’s last board-approved cost of service application (EB-2009-0263) Festival Hydro’s approved return on equity was 9.85%. Based on Festival Hydro filed information for year-end December 31, 2011, Festival Hydro’s regulated rate of return on deemed equity exceeded the Board-approved ROE (but not in excess of 300 basis points).

- a) Please explain why Festival Hydro requires advance funding during the IRM period given that they earned in excess of the regulated return in 2011 (the first year of the current IRM cycle).
- b) Please provide an earnings calculation for the 2012 calendar year based on six months actuals and six months forecast consistent with the calculation in 2.1.5.

4. Ref: Manager's Summary, Page 14
Ref: Incremental Capital Module

- a) Given that Festival Hydro is scheduled to file for rebasing next year (for 2014 rates) please explain the rationale for seeking to fund the new transmission station through the ICM proposed in this IRM application.
- b) What would be the impact of delaying the recovery of costs for the proposed capital projects until Festival Hydro's next rebasing application in 2014?

5. Ref: Incremental Capital Workform, Sheet D1.1 – Current Revenue from Rates

Board staff notes that Sheet D1.1 contains a macro error causing columns G, H and I to be pre-filled with Festival Hydro's 2010 Board-approved rates. Board staff has attached a corrected version of Festival Hydro's ICM workform (in excel format).

Please enter Festival Hydro's current rates in Sheet D1.1 and update the IRM rate generator as necessary.

6. Ref: Manager's Summary, Pages 12-15, 19

Page 12 of the above-noted reference indicates that the proposed expenditure (for the new transformer station) will provide benefit to Hydro One Networks Inc. Page 19 states that "Hydro One did not foresee any significant load growth within their service territory supplied by the Stratford Transformer Station, and therefore advised that they had no interest in sharing the new transformer station".

The first paragraph on Page 14 of the reference provides some dollar values related to spending on the new transformer station followed by a Table also showing values related to capital spending.

Page 15 of the reference states that "(t)he Construction of the new transformer station started in April 2012 and is expected to be in service by the end of April 2013. This assumes that Hydro One will be able to complete the 230 kV connections and associated work prior to this date." A table showing the actual and forecast cash flows from 2009-2013 is also shown.

- a) Please clarify/explain the contents of the Table on page 14 of the reference as it relates to the capital spending mentioned in the paragraph above it and in the models.
- b) Please provide an update on the status and schedule of the new transformer station including the associated work being completed by Hydro One.

- c) Please update the table in Reference (a) to reflect the latest schedule, estimates and any other information available at this time.
- d) Please provide the 2012 spending to date on the new transformer station.
- e) Do the estimates provided in the table in the above-noted reference include the cost of the work being carried out by Hydro One Networks Inc.? If not, please provide an estimate of the cost of that work and your understanding of the cost responsibility and recoverability through distribution or transmission rates.
- f) Please confirm whether Hydro One Networks Inc. is sharing any of the cost for the proposed new transformer station. If not, please explain why there is no cost-sharing in light of Festival Hydro's statement that the station will provide benefit to Hydro One Networks Inc.
- g) Please provide details of any cost-sharing arrangement Festival Hydro has with any other organization for any of the proposed capital spending in 2012-2013.

7. Ref: Manager's Summary, Pages 18

The above-noted reference states that Hydro One provided illustrative examples of costs to build a new transformer station according to four most likely configurations.

- a) Please provide a Table showing the comparison of the four illustrative examples of costs to build a new transformer station provided by Hydro One with the current Festival Hydro proposal to build a new transformer station. The Table should include: number of high voltage supply circuits and nominal voltage; number and size (MVA) of transformers; number of feeders and nominal voltage; total cost; and details of any required transmission line extension/modification and associated cost.

8. Ref: Manager's Summary, Pages 18-20

The above-noted reference states that "...in 2008, Festival Hydro received notice of a planned development that would add at least 10 MVA of load to the system by 2014. At that time, with only 4 MVA of available capacity this new customer and other expected load growth would cause an overload at the Stratford Transformer Station by 2011...." Following that, is a description of three options considered in a 2009 study to alleviate the impending overload condition.

- a) Please provide an update on the status of the planned development including current schedule and expected load levels involved.

- b) With respect to the 2009 study to alleviate the impending overload condition, please provide:
- (i) The source, age, accuracy and assumptions for the load forecast used;
 - (ii) A table that shows the capacity of the existing Stratford TS and the expected loading on the station from 2012-2015. Please separate the portion of the station load that is Festival Hydro load and Hydro One load.
 - (iii) Assumptions and accuracy for the cost estimates used for the various options
- c) Please provide any updates to the load forecast used in the 2009 study.
- d) Please provide a table similar to that in (ii) using the latest available load forecast.
- e) Please comment on the impact that using the latest available load forecast would have on the need for remedial action and the comparison of options considered.

9. Ref: Manager's Summary, Pages 14

The above-noted reference states that all proposed Capital work is considered non-discretionary spending and cannot be deferred.

- a) Please explain why the proposed capital work for 2013 is in the category of non-discretionary work as defined in the Board's *Filing Requirements for Electricity Transmission and Distribution Applications*.