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BY E-MAIL

November 11, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Festival Hydro Inc.
2014 IRM3 Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0129**

In accordance with the procedure documented in Procedural Order No. 1, please find attached Board staff's interrogatories in the above proceeding with respect to Festival Hydro Inc.'s 2014 IRM Rate Application.

Yours truly,

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories
2013 IRM3 Rate Application
Festival Hydro Inc. ("Festival Hydro")
EB-2013-0129**

Manager's Summary

Board Staff Interrogatory No. 1

Ref: Manager's Summary – Page 6

Ref: Reply Comments on Draft Rate Order, EB-2009-0263, April 15, 2010 – Page 6

On page 6 of the Manager's Summary, Festival Hydro states:

With the 2013 IRM rate year, the only outstanding revenue to cost adjustment required as per EB-2009-0263 was the continuation towards harmonization of the Hensall residential rate. While the intent was for both Residential and Residential Hensall to have the same Revenue to Cost ratios by 2013, when the rebalancing was complete in the model, it resulted in a slight difference. The 2013 Residential ratio was at 106.47% compared to the Hensall Board approved rate of 106.27%.

A table from page 6 of Festival Hydro's Reply Comments on its Draft Rate Order from its 2010 Cost of Service application (EB-2009-0263) is reproduced below. This table indicates the changes to Festival Hydro's revenue-to-cost ratios that were approved by the Board in its decision.

Revenue to Cost Ratio - Table of Changes

Customer Class	2010 Rev Cost Ratio Result	2010 Adjusted Rev Cost Ratio	2011 Proposed Rev Cost Ratio	2012 Proposed Rev Cost Ratio	2013 Proposed Rev Cost Ratio
Residential	107.14%	106.84%	106.86%	106.45%	106.27%
Residential - Hensall	70.90%	82.65%	91.00%	99.00%	106.27%
GS < 50 kW	115.88%	114.19%	113.13%	112.03%	112.03%
GS >50	81.38%	81.39%	81.31%	81.31%	81.31%
Large Use	117.07%	114.22%	113.13%	112.03%	112.03%
Sentinel Lights	31.04%	50.52%	60.00%	70.00%	70.00%
Street Lighting	32.62%	51.30%	60.60%	70.00%	70.00%
USL	139.13%	120.00%	120.00%	120.00%	120.00%

- a) Please indicate why Festival Hydro is proposing to harmonize rates for the residential classes at a revenue-to-cost ratio above the amounts approved in Festival Hydro's 2010 cost of service application.
- b) Please provide the total decrease in revenue from the Residential class that would be required to achieve the Board approved revenue-to-cost ratio of 106.27%.

- c) Were the amount in b) to be immaterial, would Festival Hydro be opposed to adjusting revenues to the Residential class such that both residential classes have a revenue-to-cost ratio of 106.27%, as approved in Festival Hydro's last cost of service application (EB-2009-0263)?
- d) Please provide:
 - a. The weighted average fixed/variable split for the two residential classes combined using the base rates and billing determinants (i.e. customer numbers and billed consumption) approved in Festival Hydro's last cost of service application.
 - b. The total combined cost for both residential classes, as approved in EB-2009-0253).
 - c. Using b) calculate the overall residential class revenue that would result in a revenue-to-cost ratio of 106.27%.
 - d. Calculate the overall residential class revenue in 2014 by applying the approved price cap index adjustment from Festival Hydro's 2011 – 2013 IRM applications, as well as, Festival Hydro's proposed price cap index adjustment for 2014.
 - e. Using a) calculate the fixed monthly service charge and distribution volumetric charge (in \$/kWh) that would yield the class revenue calculated in d).
 - f. Updated bill impacts for each residential class using the rates calculated in e).

Board Staff Interrogatory No. 2

Ref: Manager's Summary – Page 12

Ref: Chapter 3, Filing Requirements for 4th Generation Incentive Rate-setting and annual Incentive Rate-setting Index, July 17, 2013 – Page 19

On page 12 of the Manager's Summary, Festival Hydro states:

... Festival seeks the Board's approval to harmonize the Regular Residential and Hensall Residential Rates as part of the 2014 IRM application. In addition to harmonization of the Monthly Fixed Charge and the kWh volumetric charge, the only other rates which require adjusting to achieve full harmonization are the incremental capital rate riders.

On page 19 of Chapter 3 of the Filing Requirements, the Board lists specific exclusions from the IRM rate application process. Specifically, the Board states that that IRM process is not an appropriate venue by which a distributor to seek relief on issues related to rate harmonization "other than pursuant to a prior Board decision."

- a) Please explain why Festival Hydro believes that the proposed harmonization of its ICM rate riders is within the scope of its 2014 IRM proceeding.

2013 IRM Rate Generator Model

Board Staff Interrogatory No. 3

Ref: 2014 IRM Rate Generator Model – Sheet 4

Ref: Rate Order, Festival Hydro's 2013 IRM Application, April 18, 2013 – Appendix A, Page 2

On Sheet 4 of the 2014 IRM Rate Generator Model, Festival Hydro has provided a Service Charge (per light) of \$1.09 for the Street Lighting service class. The Tariff of Rates and Charges, issued by the Board on April 18, 2013, for Festival Hydro's 2013 IRM application shows a Service Charge (per connection).

- a) If the Service Charge (per light) was selected in error, please confirm the error and Board staff will make the appropriate changes to the model. If not, please explain why Festival Hydro is proposing to change the billing basis for the service charge in the Street Lighting service class.

2014 Shared Tax Savings Model

Board Staff Interrogatory No. 4

Ref: 2014 Shared Tax Savings Model – Sheet 3

Ref: Rate Order, Festival Hydro's 2013 IRM Application, April 18, 2013 – Appendix A, Page 2

Sheet 3 of Festival Hydro's 2014 Shared Tax Savings Model indicates a monthly service charge of \$14.99 for the Residential – Hensall service class in column D. The Tariff of Rates and Charges, issued on April 18, 2013, for Festival Hydro's 2013 IRM Application indicates a service charge of \$15.01.

- a) If the service charge of \$14.99 was entered in error, please confirm the error and Board staff will make the appropriate changes to the model. If not, please explain the difference between the service charge provided in the model and the amount of \$15.01 present on the Board approved tariff from Festival Hydro's 2013 IRM Application.