BOARD STAFF INTERROGATORIES
Festival Hydro Inc. (Festival Hydro)
2015 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES

August 6, 2014

Exhibit 1 – Administrative Documents

1-Staff-1

Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

1-Staff-2

Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-3

Ref: E1/T4/S1/p.1

Please provide the finalized 2013 audited financial statements and indicate the changes from the draft version provided in the application.

1-Staff-4

Ref: E1/T6/S17/p.1 and E4/T4/T1/p.1

In Exhibit 1, Festival indicated that pro-forma for 2015 were prepared in accordance with its usual processes except amortization that reflects the half-year rule. In Exhibit 4, Festival indicated that the half year rule is applied in the year of the addition.

a) Please clarify whether Festival's usual process does not apply the half year rule.
b) Please indicate whether the half year rule was applied in the rate application for each year from 2010 to 2015, including the Appendix 2-C depreciation schedules which are templated to apply the half year rule.

Exhibit 2 - Rate Base

2-Staff-5

Ref: E2/T1/S1/Att. 1, Appendix-2BA and Accounting Procedures Handbook, effective January 1, 2012

For Appendix 2-BA Fixed Asset Continuity schedule,

a) The gross cost in the 2014-New Policies schedule is different from the gross cost in the 2014-MIFRS schedule by $15,722,884 in disposals. Please explain the causes of the disposals and the nature of the disposals. Please also explain why the quantum of the disposals is so significant.
b) In the 2015-MIFRS schedule, there are disposals of $16,193,383, please explain the causes of the disposals and the nature of the disposals. Please also explain why the quantum of the disposals is so significant.
c) Please explain whether the disposals in 2014-MIFRS and 2015-MIFRS are related to the change in useful lives of capital assets that Festival implemented January 1, 2013. If yes, please explain why these disposals were not included in 2013 instead of when Festival transitioned/adopted MIFRS
d) Per page 15 of Article 410 of the APH, gains or losses on the retirement of assets in a pool of like assets are reclassified as depreciation expense. No such balance is shown for this reclassification in Appendices 2-BA for 2014 MIFRS or 2015 MIFRS. Please confirm that APH guidance has been followed. If not, please revise the evidence as necessary and quantify the amount to be reclassified.
e) Per page 16 of Article 410 of the APH, gains and losses on de-recognition, disposal, retirement or impairment of readily identifiable assets are to be recorded in Other Income accounts (4355, 4357,4360, 4362). Please

quantify the net gains and the net losses. Please also indicate where the gains and losses have been recorded in the application.

2-Staff-6

Ref: E2/T1/S1/Att. 1, Appendix-2BA

In the opening balance of 2015 PP&E, Festival has used the closing 2014 Revised CGAAP PP&E balance instead of the 2014 MIFRS PP&E balance. While this is consistent with the APH, Board staff observes that there may be impacts arising from disposals in 2014 under MIFRS that are not reflected in 2014 Revised CGAAP. Please indicate and quantify the impact to 2015 rate base and revenue requirement if Festival uses the 2014 MIFRS PP&E closing balance instead of the 2014 Revised CGAAP PP&E closing balance as the opening balance of 2015 PP&E.

2-Staff-7

Ref: E2/T2/S3/Att. 1, Appendix 2-DA/DB

Regarding truck allocations in the two tables:

a) Please explain why the capitalized trucking allocation is consistently $222,429 for all years in the top table.
b) Please explain why the trucking allocation amounts no longer capitalized in the bottom table are all negative amounts.

2-Staff-8

Ref: E2/T1/S1 p. 2, Appendix 2-BA and E9/T3/S12 p. 3 – Net Book Value 62 MVA Transformer Station

a) Please confirm the net book value of the new 62 MVA transformer station transferred to rate base as of January 1, 2015.

2-Staff-9

Ref: E2/T2/S1, p. 14 – Stratford Transformer Station – Permanent Bypass Agreement

On page 14, Festival Hydro states that:

> *As a result of Festival constructing a new transformer station, Festival entered into a Permanent Bypass Compensation Agreement with Hydro One for the purpose of addressing the bypass compensation payable by Festival in accordance with Section 6.7.7 of the Transmission System Code. The agreement allows for a Bypass Capacity from the existing Hydro One station at an estimate 20 MW with a Bypass Compensation Estimate amount of $1,230,026.*
>
> *The cost of this Bypass agreement was not part of the original construction budget used for the ICM rate rider. However, the cost is a component of the overall cost of the transformer station. Festival commenced the bypass on December 1, 2013 upon energizing its first customer for the new TS. Currently (Feb 2014), there is about 12 MW being bypassed with a plan to migrate close to the 20 MW during 2014.*

a) Please confirm that Festival is including an incremental $1.23M in rate base for a permanent Bypass Agreement with HONI.
b) Please explain why the cost of the Bypass agreement was not part of the ICM application for the 2013 rate year.
c) Please provide a revised assessment that shows that the cost of the new transformer station, including the cost of the bypass agreement, was still the best option.
d) Has the amount of $1.23M been paid in full to HONI as a one-time cost?
    i. If so, provide the date the transaction.
    ii. If not, please provide a payment schedule and describe the accounting treatment of the off-setting entry to intangible assets.
    iii. Does Festival Hydro expect to incur future costs related to the bypass agreement?
b) Please explain how Festival believes the Stratford Transformer Station Permanent Bypass meets the definition of an intangible asset under IAS 38.
e) Please indicate if Festival has discussed this with its external auditor and provide any documents received by Festival that express the views and opinions of its external auditor.

2-Staff-10

Ref: Appendix 2-AA – Capital Expenditures – System Renewal

Under the category system renewals, Board staff notes that the category miscellaneous in the years 2012 ($802,002) and 2013 ($1,014,652) represents 46% and 49% of the overall budget for this category, respectively.

a) Please provide a break-down of miscellaneous material capital expenditures.
b) Please explain the reduction of 69.1% or $701K in the 2014 bridge year and 77% or $784K in the test year.
c) Please describe and quantify where possible the benefits that the applicant's customers will realize from these investments.
d) Please describe the alternatives to capital investment that were assessed and rejected in favour of the proposed capital investments.

2-Staff-11

Ref: Appendix 2-AA – Capital Expenditures – New 62 MVA Transformer station

a) Please confirm that the capital expenditures for the new 62 MVA Transformer station, funded through the ICM mechanism, is incorporated into the historical capital expenditures for comparison? If not, please provide table showing Festival Hydro capital expenditures from 2010 Board-approved to 2015 test year forecast inclusive of the new Transformer station.

2-Staff-12

Ref: Appendix 2-AA – Capital Expenditures – Capital Additions and E2/T2/S1, Appendix 4, p.14

Under the category of System Access, Festival Hydro forecasted $200,000 of capital additions in 2014 and $204,000 in 2015. On page 14 Festival Hydro notes that this investment category is unbudgeted, miscellaneous projects, which are completely customer driven.

a) Please provide further explanation as to the capital additions planned for the 2014 and 2015 rate years under this category and provide a historic comparison.
b) Please provide the up-to-date capital expenditure for the 2014 rate year under this category and compare to the equivalent time period in the previous year.

2-Staff-13

Ref: E2/T2/S1, Attachment 1, p. 25 – Variance Analysis

In section 5.2.3, p. 25 of the DSP, Festival Hydro provided the following table as a variance analysis over its historic capital expenditure.

On p. 26, Festival Hydro provides a brief variance analysis for capital expenditures in the 2009, 2010 and 2013 rate years. Board staff notes that Festival Hydro did not provide any variance analysis for the 2011 and 2012 rate years.

Actual spend vs budget (per year and over system planning forecast)

Year		Budget	Actual		Spending overage
					to Budget
2009		$3,352,000	$3,823,284		14%
2010		$2,992,000	$2,989,043		0%
2011		$3,350,400	$3,010,362		-10%
2012		$3,370,800	$3,021,956		-10%
2013		$3,388,400	$2,953,866		-12%
Average		$3,290,720	$3,159,702		-4%

Appendix 2-AA shown the following capital expenditures from 2010 – 2015 in the excerpt below.

Projects	2010	2011	2012	2013	2014 Bridge Year	2015 Test Year
Total	3,139,803	3,058,814	3,291,413	3,387,787	2,773,000	2,621,500
Less Renewable Generation Facility Assets and Other Non Rate-Regulated Utility Assets *(input as negative)*						
Total	3,139,803	3,058,814	3,291,413	3,387,787	2,773,000	2,621,500

a) Please reconcile the actual capital expenditures provided in Appendix 2-AA with the table above.

b) Please provide a variance analysis for the missing years
c) Please explain in detail why Festival Hydro's actual capital expenditure from 2011 – 2013 was 10%, 10% and 12 % below its budget, respectively.
d) Please explain to what extent deferred investments have resulted in any backlog of work.
e) Please explain if and how Festival Hydro's lower actual capital expenditures impacts system reliability at its current levels, given that the customer survey shows that reliability is the major concern for customers.
f) Please state how this trend has been incorporated into the 5 year capital plan laid out in the DSP.

2-Staff-14

Ref: E2/T2/S1, Appendix 4, p. 2 – 2015 Capital Budget

In Appendix 4, p. 2, Festival Hydro provided the following table to show actual capital spending and forecast capital expenditures for 2014 and 2015.

Capital Budget	2011	2012	2013	2014	2015
	Actual	Actual	Budget	Budget	Budget
Total Capital	$3,063,507	$3,021,956	$3,388,400	$2,773,000	$2,621,500
Customer Base	19,995	20,200	20,210	20,400	20,600
Capital $/customer	$153.21	$149.60	$167.66	$135.93	$127.26

Below is an excerpt of Appendix 2-AA.

Projects	2010	2011	2012	2013	2014 Bridge Year	2015 Test Year
Total	3,139,803	3,058,814	3,291,413	3,387,787	2,773,000	2,621,500
Less Renewable Generation Facility Assets and Other Non Rate-Regulated Utility Assets *(input as negative)*						
Total	3,139,803	3,058,814	3,291,413	3,387,787	2,773,000	2,621,500

a) Please reconcile the capital expenditure amount for the 2012 rate year and recalculate capital$/customer if necessary.

2-Staff-15

Ref: Appendix 2-AA and E2/T2/S1, DSP – Attachment 1, Section 5.4.1, p. 36; Asset Management Plan, Appendix 11

In section 5.4.1 d), Festival Hydro lists a description of material projects, including the replacement of 100 poles for a total capital expenditure of $650,000 over a ten-year period.

a) Please identify capital spending amount for pole replacement included in the 2015 test year capital budget and compare that amount to the historical, annual capital expenditure for pole replacement.
b) Appendix 11, Pole Inspection Report 2013, p. 9 states that based on the relatively low rate of decay found during the 2013 pole inspection program, "Festival Hydro is justified in proceeding with a treat based on condition approach".
    i. Please provide further detail regarding Festival Hydro's pole replacement program, including number of poles to be replaced in the test year and percentage of total number of poles.
    ii. Does Festival Hydro track interruptions caused by pole failure? If not, why not? If so, why aren't interruptions caused by pole failure a proposed performance metric?
    iii. What is the average cost per replaced pole? Is Festival Hydro realizing any efficiency on a unit cost basis?

2-Staff-16

Ref: E2/T2/S1/Att. 1/p. 5 – 5.2.1 Distribution System Plan Overview

At page 5 of the reference, under the title "4 kV system conversions", it is indicated that conversion of the 4 kV system to a 27.6 kV system in the City of Stratford will standardize the voltage and reduce system losses.

a) Please provide a copy of the original business case study justifying the conversion project investment and any updates to that study that includes justification for the continued conversion investment in this DSP period.
b) Please identify the steps that were taken to elicit the views of customers on this project, its merits, and the willingness of customers to abide the associated rate increases
c) Please indicate how customers' views were factored into the plan and its timing.

2-Staff-17

Ref: E2/T2/S1/Att. 1/p. 27 and E2/T2/S1/Att. 2, Appendix 2-AB – 5.2.3 Performance measurement for continuous improvement

At page 27 of the first reference, under "d) How has this information affected the DS Plan and how has it been used to continually….." it is stated that:

> KPI's (as defined in the above section) ensure we are executing on our asset management plan within our capital expenditure process. This is identified by the following indicators: year to year budget comparison and actual to budget spend comparison. Since Festival Hydro's infrastructure is in good condition the expectation is to keep spending levels flat in relation to year over year spending. Deviations in budgeting or spending in a given year provide feedback to be considered in future years. [emphasis added]

a) Please provide a definition of the noted "KPI" as it is was not defined in the section above section d) as stated.
b) Please provide a revised table "OEB Appendix 2-AB", provided in the second reference, by adding another "row" listing the "Annual Depreciation Amounts" for:
    - the historical years 2010, 2011, 2012 and 2013;
    - the "Bridge 2014 Year", the Test Year; and
    - if possible, a forecast for each of the years 2016 – 2019.

2-Staff-18

Ref: E2/T2/S1/Att. 1/pp. 31 – 33 and E2/T2/S1/Att. 1/pp. 15 – 24 – 5.2.3 Performance measurement for continuous improvement & 5.3.2 Overview of Assets Managed

At the second reference (re 5.3.2 Overview of Assets Managed) on pages 31 -33, it is shown that FHI has a total of 22 feeders as follows:

- 5 feeders at 4 kV;
- 2 feeders at 8.32;
- 4 feeders at 13.8 kV; and
- 11 feeders at 27.6 kV

At the first reference (re 5.2.3 Performance measurement for continuous improvement), at pages 15-24, the 10 tables provided on system performance (SAIDI, SAIFI…etc.) cover only 9 of the 22 feeders owned by Festival Hydro.

a) Please provide system performance tables for the 13 feeders to provide the same results as those provided for the 9 feeders as outlined in the second reference.

2-Staff-19

Ref: E2/T2/S1/Att. 1/pp. 28 – 29 and E2/T2/S1/Att. 1/Appendix 4 – 2015 Board Capital Plan 5.3.1 Asset Management Process

At the first reference, on pages 28 and 29 under "b) Information regarding the components of the asset management process used to prepare a capital expenditure plan, it is stated in part that "the Asset Management Plan becomes one of the inputs of the Capital Expenditure Plan with the other inputs being regulatory requirements (i.e., smart meter, or smart grid), customer driven (as identified in the surveys, or customer initiated work) and system optimization and efficiencies (eg. voltage conversions). These projects are then prioritized by considering the results of the Asset Management plan, safety, reliability, customer inputs, system efficiency and financial constraint to develop specific year budgets. All the projects identified in a specific year are deemed to be non-discretionary in nature as their deferral would lead to negative system impacts".

At the second reference on page 5 under the project "Stratford – Reinsulate Poles" it is indicated that it will cost $150,000 and on the second reference, page 7 under "Stratford – MS # 9 Ph1 Conversion…" it is indicated that it will cost $230,000.

a) Please elaborate on how the prioritization and selection of projects are implemented between unavoidable projects such as those related to "System Access" and projects described above that are related to system optimization (e.g., voltage conversions) in situations where the total capital approved by the Board would not allow for all of them to be implemented.
b) If the situation outlined in a) above were to occur, please describe the criteria that would be used to prioritize and select amongst projects that are viewed as discretionary such as the "Stratford – Reinsulate Poles " costing $150,000 and the "Stratford – MS # 9 Ph1 Conversion…" costing $230,000.

2-Staff-20

Ref: E2/T2/S1/Att. 1/p. 36 and E2/T2/S1/Att. 1/Appendix 4 (5.4.1 Summary) – 2015 Board Capital Plan

At the first reference on page 36, one of the System Renewal "SR" projects is described as "Underground Feeder – SR, Replacement (2500-4500m)" costing $230,000, and under the "Description" in that table, it refers to Appendix 4 for a list of proposed work.

At the second reference (Appendix 4) there are no reference or details for the "Underground Feeder –SR Replacement (2500 -4500m)" project described in the first reference. At page 15 of Appendix 4, there is a listing titled "Miscellaneous Projects & Capital Additions", where it is reported that $200,000 are for "Miscellaneous Projects".

a) Please clarify, and provide details regarding the location of the projects that totals $230,000 as listed in the first reference

2-Staff-21

Ref: E2/T2/S1/Att. 1/p. 46 and E2/T2/S1/Att. 1/Appendix 3 – OPA REG Letter, December 23, 2013 - 5.4.3 System capability assessment for renewable energy generation

At the first reference, it is reported that Festival Hydro has connected 34 MicroFIT customers for a total generation output of 318 kW, and there are an additional 13 MicroFIT applications at various steps along the process.

At the second reference, the OPA letter indicated that it offered contracts to 48 Micro FIT projects totalling 1,119 kW.

Comparison of the two sources reveal close results in terms of the total number of MicroFIT projects (47 reported by FHI and 48 reported by the OPA), but the total kW difference between the two sources corresponding to the remaining to be connected is large:

- [1,119 kW (48 Projects) per the OPA] minus [318 kW (34 projects) per FHI] = 801 kW for the remaining 14 projects.
- the above indicate that assuming a maximum size of 10 kW per MicroFit project, the number of outstanding projects is about 80 projects.

a) Please clarify and explain the apparent discrepancy outlined above.

2-Staff-22

Ref: E2/T2/S1/Att. 1/Appendix 1/p. 8 – Asset Management Plan – Transformer Station

At the reference it is stated that:

> *Festival Hydro constructed a Municipal Transformer Station (MTS#1) in 2012/2013. It was put into service on December 2, 2013. It was designed and built to provide long term, reliable supply for the City of Stratford. The switchgear is gas insulated with vacuum breakers and the on-load tap changers are low maintenance vacuum breaker design. As it is a new facility, there should be minimal capital expenditures during the first ten years, and all major components have a warranty of at least five years. Annual preventative maintenance will be contracted out to qualified vendors. For the next 25 years, the only foreseeable capital expenditures include replacement of batteries within the battery banks (every 5 to 8 years), and upgrades to intelligent electronic devices (IEDs such as relays, routers, telecom equipment – every 8 to 10 years).*

a) How has Festival Hydro mitigated any risk through its insurance coverage?
b) Please describe FHI plans to maintain electricity service to its customers for the period between an event involving damage to its power transformers and when replacement is in service. Please cover a single contingency where one power transformer is damaged and a double contingency when both power transformers are damaged.

2-Staff-23

Ref: E2/T2/S1/Att. 1/Appendix 4/p. 15 and Filing Requirements for Electricity Transmission and Distribution Applications, Chapter 5, March 28, 2013/pp. 16 -17 – 5.4.5.2 Material Investments – Distribution Transformers

At the first reference the “2015 Board Capital Plan” under “Transformers”, it is indicated that $205,000 is needed to meet load growth, replacements, conversions and new development. This indicates that the “Transformer” investment can be split between the three main categories namely: System Access; System Renewal; and System Service.

At the second reference it is stated that:

> *Despite the ‘multi-purpose’ character of a project or activity, for ‘summary’ purposes the entire costs of individual projects or activities are to be allocated to*

> *one of the four investment categories on the basis of the primary (i.e. initial or 'trigger') driver of the investment. Note, however, that for material projects, a distributor must estimate and allocate costs to the relevant investment categories when providing information to justify the investment, as this assists in understanding the relationship between the costs and benefits attributable to each driver underlying the investment. [emphasis added]*

a) Please allocate the $205,000 cost of transformers among the various projects included for the 2015 Test Year as outlined in Appendix 4 as well as the sum total for each of the three noted categories - namely System Access; System Renewal; and System Service.

2-Staff-24

Ref: E2/T2/S1/Att. 3, Appendix 2-AA and E2/T2/S1/Att. 1/p. 65 – 5.4.5.2 Material Investments – Smart Meters

At the first reference for Distribution Meters, it shows historical capital expenditures for 2010 to 2013, and forecast for the bridge year (2014) and the 2015 Test Year. For convenience the relevant portion covering Distribution Meters from Appendix 2-AA, is shown below:

	2010	2011	2012	2013	2014 Bridge Year	2015 Test Year
Distribution Meters	$198,000	$147,080	$152,023	$91,138	$190,000	$175,000

At the second reference it is stated in part that:

> *The main drivers for distribution meters are failure and mandated service obligations. This value takes into account historical growth rates and potential meter replacements as part of non-warranty smart meter failures. Festival Hydro smart meters have experienced a failure rate of 7.5% per year since their installation in 2011. These failures are for the most part still being covered by Trilliant outside of the warranty period, but it is unclear how long this may continue. Given the uncertainty of warranty coverage FHI is budgeting 26% of its metering budget to the replacement of failed smart meters.*

a) Please indicate whether or not FHI received any warranty from Trilliant for the Smart Meters? If not, please elaborate as the reasons for not receiving such a warranty.
b) Is the failure rate of 7.5% per year in the range experienced by other Distributors?
c) Please provide the number of Smart Meter failures from January 1, 2014 to present date? Please indicate whether or not Trilliant charged FHI for the cost of replacing these Smart Meters.
d) What is the total number of smart meters installed by FHI in 2011, and what is the installed cost per meter, broken to (Meter & Material) and labour.

2-Staff-25

Ref: E2/T2/S1/Att. 1/p. 68 & Appendix 4/p. 15; E2/T2/S1/Att. 1/Appendix 2 "Customer Consultation Results"/Question 4 and Report of the Board, Supplementary Report on Smart Grid, February 11, 2013 (EB-2011-0004) – 5.4.5.2 Material Investments – Electric Vehicle

At the first reference under "Vehicles and Trailers", it is indicated that introducing an electric vehicle, within FHI's fleet would allow for assessment of the impact on the electrical system; and potential operational efficiencies gained through hybrid technology. On page 15 of Appendix 4, Festival Hydro shows that the cost of the electric vehicle is $70,000.

In the second reference, at Appendix 2, respondents to Question 4 in regard to their intentions to purchase either a fully electric or plug-in hybrid in the next five years indicated that: 90.79% do not intend to purchase an electric vehicle in the next 5 years; 7.02% would purchase in the next five years if the price difference decreases to less than $3,000; 1.75% would buy within the next five years; and 0.44% currently own an electric vehicle.

At page 14 of the third reference, it is indicated that:

- Following Board approval, some distributors have already undertaken pilot and demonstration projects related to adaptive infrastructure, including electric vehicle charging. `
- The Board expects that distributors will report on the outcomes and learning from these pilots for the benefit all regulated entities. This expectation is consistent with the Board's policies (e.g., Filing Requirements: Distribution System Plans), <u>which emphasize the need to avoid duplication of efforts in testing out and learning about new technologies</u>.

a) Please provide the analysis used in support of the decision to purchase the $70,000 electric vehicle. In providing the analysis, please include the original cost of the vehicle, the estimated energy cost (gas and electricity as appropriate), maintenance cost over the expected useful life of the vehicles, insurance cost including contingencies for the electric vehicle's battery in case of failure past the warranty period.
b) Given the low response of the respondents in regard to their intent to purchase electric vehicles outlined in the second reference, please indicate whether FHI communicated with other distributors in Ontario regarding any projects in progress that may be similar to what it plans to learn from its electric vehicle purchase, so duplications can be averted? If so, please provide description of such projects.
c) If FHI did not communicate with other distributors in Ontario as outlined in 2) above, please indicate what steps FHI would take to address the potential duplication of its project.
d) Does Festival plan to put any corporate branding on the vehicle and to promote it as a clean/zero tailpipe emissions vehicle? If so, please explain whether the shareholder will bear a portion of the vehicle's costs given its marketing benefits.

2-Staff-26

Ref: E2/T2/S1/Att. 3 – OEB Appendix 2-AA; E2/T2/S1/Att. 1/p. 69 and E2/T2/S1/Att. 1, Appendix 1; Asset Management Plan/Appendix 14/p. 6 – 5.4.5.2 Material Investments – GIS Development Plans

At the first reference, the "Capital Projects Table" shows an investment in 2015 of $245,000 against Computer Equipment.

At page 69 of the second reference, it indicates that in Appendix 14 of the Asset Management Plan "Computer Equipment" is made of a number of small projects – none of which exceed materiality threshold.

At page 6 of the third reference, under "GIS system phase 1" it is indicates that:

- Festival Hydro does not currently have a GIS to track assets and their status in the field
- This phase 1 would Cost: $30,000 (For the RFP phase of this project)
- Risks if not completed is Loss of GIS data, work planned based on inconsistent information, prevention of intelligent OMS system build.

a) Please clarify the full name for the abbreviated “OMS system”, and also provide:
   i.) description of its current status, what functions that OMS system currently performs,
   ii.) description of any future enhancements, costs of such enhancements and year of expected implementation.

b) As a Geographic Information System (GIS) system is one of the important tools for a Distributor’s Asset Management System, please provide details of all the phases for the proposed GIS outlining for each phase its cost, year of completion and expected achievements

c) Please also indicate whether FHI intends to include in its proposed GIS, all asset groups such as Poles, Distribution Transformers (Overhead, Underground and Pad Mounted Transformers), Switchgear (Overhead Line Switches and Pad-Mounted), and Underground Cables.

Exhibit 3 – Operating Revenue

3-Staff-27

Ref: E3/T1/S2 and Attachments – Load Forecast

Board staff would like some clarification and additional information concerning Festivals Load forecast.

a) Please state the difference between the two weather stations London International Airport and London CS. Please state the reasons for selecting London CS.

b) Festival Hydro has provided some parametric statistics for each of its models. Board staff would like Festival to also provide:

   i.) The standard error of each estimated parameter, including the intercept;

   ii.) A review and comment on the plot of the residuals; and

   iii.) One would assume that an energy consumption model would have an intercept at or near zero. Please comment on the large negative intercept.

3-Staff-28

Ref: E3/T1/S2, Attachment 1, Schedule 2, p. 2 and Schedule 3, p. 2 – Trend variable

Festival Hydro states that it has included a trend variable in the regression analysis for the Net System Load Shape profile and the Interval load profile.

a) Please explain in detail how this variable was developed for either of the two load profiles. Elaborate on the value and interpretation of the Trend variable as an explanatory variable.

   i.) Please confirm that the trend variable is represented by the Increment variable in the model; and

   ii.) Please explain the negative trend variable, and if Festival suspects that some conservation measures, not captured by the OPA analysis, is responsible please give examples of the measures.

b) Please describe what alternative variables were examined by Festival Hydro to capture the impact captured by the trend variable.

3-Staff-29

Ref: E3/T1/S2, Attachment 1, Schedule 3, p. 2 – Number of Workdays, London FTE and Recession variable

On page 2, Festival Hydro states:

> "Elenchus has also included a trend variable that starts with a variable of 1 in January 2005 and increments by 1 in each subsequent month. Also included is the number of workdays and a recession variable with a binary value of 0 for the period January 1, 2005 to December 31, 2008 and a binary value of 1 for the period January 1, 2009 to December 31, 2013 to build up the robustness of the model."

Festival Hydro, on page 1, also notes that it includes monthly full-time employment levels for London in its regression analysis in order to measure the change in economic activity.

a) Board staff notes the Festival Hydro has peak days as well as number of workdays in its regression analysis. Please explain how these variables differ and explain why the regression analysis uses both variables, given that the number of workdays variable shows a negative co-efficient, which is counter-intuitive.

b) Festival has employed two economic variables, FTE and Recession. Please review for any auto-correlation, and explain how Festival thinks that these two variables are independent or alternatively should not be independent.

c) Please explain how the recession variable was developed and elaborate on the value of this variable, given its statically insignificance and the inclusion of a trend variable.

d) Please describe what alternative modelling efforts, such as alternative variables, were examined by Festival Hydro to improve the system load regression model.

3-Staff-30

Ref: E3/T1/S2, Attachment 1, Schedule 5, p. 3-5 – CDM Adjustment

On page 2 of E3/T1/S2, Attachment 1, Schedule 5, Festival Hydro notes that "in order to calculate the CDM impact for the 2015 load forecast Elenchus includes persistence for 2013 and 2014 programs plus an estimate for 2015 programs" of 1,500,000 kWh at a half-year value of 750,000 kWh.

a) Please provide the basis for the 2015 estimated CDM savings elaborate on how this amount was arrived at.

b) Please provide the kW CDM savings built into the 2015 forecast.

c) Please update Appendix 2-I, the Load Forecast CDM Adjustment Work Form, for the 2015 edition, available on the Board's 2015 EDR webpage.

3-Staff-31

Ref: E3/T2/S1, Attachment 1 – Load Data and Forecast

Please update Festival Hydro's summary and variance of actual and forecasted data by completing Appendix 2-IA, available on the Board's 2015 EDR webpage.

Exhibit 4 – Operating Costs

4-Staff-32

Ref: Appendix 2-JA and Appendix 2-JC – Summary of Recoverable OM&A Expenses

Appendix 2-JA shows a 48.1% increase in Operations and Maintenance costs over the 2010 actual, comprised of a respective increase of 60.98% and 39.66%.

a) Please provide further detail of the individual cost drivers for each of these two categories.

b) Please explain the overall increase in maintenance cost, given that Appendix 2-JC shows overhead and underground maintenance programs declining by 28% and 40% respectively since Festival Hydro 2010 actual costs.

4-Staff-33

Ref: Appendix 2-JA – Benefits from OM&A Increases
Appendix 2-L shows a 21.7% increase in the OM&A cost per customer 32.9% increase in OM&A cost per FTE.

a) Please explain what measures Festival has adopted to ensure that its proposed OM&A spending is appropriate and adequately planned. What consideration was given to overall bill impacts when setting O&M program budgets?

b) Please identify what improvements in services and outcomes the applicant's customers will experience in 2014 and during the subsequent IRM term as a result of increasing the provision for OM&A in 2014.

c) How has the applicant communicated these benefits and related costs to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.

4-Staff-34

Ref: E4/T1/S1, p. 2 – Labor Costs

On page 2, Festival Hydro notes that its Collective Agreement was in the process of being renegotiated at the time of filing this application. Festival Hydro further notes that the agreement will have an effective date of May 1, 2014.

a) Please confirm that an agreement has been reached.

b) Please provide the overall wage increase for all union and non-union employees and provide a copy of the Collective Agreement.

4-Staff-35

Ref: E4/T3/S1, Appendix 2-JC – OM&A Programs Table

Please provide an updated Appendix 2-JC by showing 2014 up-to-date costs as well as the comparable costs during the same period in the 2013 rate year.

4-Staff-36

Ref: E4/T3/S1, Appendix 2-JC – Tree Trimming

In its last rebasing application, Festival Hydro was approved for a tree trimming budget of $170,517. During the intervening IRM period of 4 years, Festival Hydro's actual spending has not reached this approved budget. Board staff notes that Festival Hydro is requesting an increase of 14% over 2013 actual costs of $142,753.

a) Please explain why Festival Hydro has not used its approved tree trimming budget during the IRM period. Please explain what expenditures were incurred rather than tree trimming.

b) Please explain the increase in tree trimming expenses in the 2015 test year with reference to the overall multi-year tree trimming program or strategy.

c) Please provide the actual tree trimming expenses year-to-date.

d) Please provide annual detail on the number of outages in FHI's system, by cause (e.g. by equipment failure, tree contact, etc), since its last rebasing application. Discuss any trends relevant to vegetation management spending.

4-Staff-37

Ref: E4/T3/S1, Appendix 2-JC; E4/T3/S1, p. 4 and E2/T2/S3, Attachment 1, Appendix 2-DA – Training/Health and Safety costs

In the first two references, Festival Hydro notes an increase of approx. $180K or 418% in its Training/Health and Safety cost category. In E4/T3/S1, page 4, Festival Hydro states that this increase is the result of overhead capitalization policy changes, which specifically prohibit all training costs from being capitalized.

In Appendix 2-DA (E2/T2/S3, Attachment 1), Overhead Expense, Festival Hydro is showing "miscellaneous lineman costs including training" of $52,235.

a) Please provide a breakdown of the Training/Health and Safety Costs and explain the increase in greater detail.

b) Please reconcile the increase due to overhead capitalization with Appendix 2-DA.

c) Please provide a detailed description and the cost component of Festival Hydro's Health and Safety Costs.

4-Staff-38

Ref: E4/T3/S1, Appendix 2-JC; E4/T3/S1, p. 3

Festival Hydro shows an increase in Billing and Settlement costs of approx. $296K or 75%. Festival Hydro noted that this increase began in 2013 as the result of new operating cots required with the implementation of smart meters.

a) Please provide a breakdown of this cost category.

b) Please state how much of this increase is due to smart meters.

c) Please explain the ongoing nature of these costs.

d) Board staff notes that meter reading expenses have also increased by approx. 24%. Please explain if and where Festival Hydro was able to realize some efficiency gains due to implementing the smart meter program.

e) If not, please provide more detailed explanation as to these costs.

4-Staff-39

Benchmarking

Board staff notes that Festival Hydro seemingly did not undertake any studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators, and appears to have justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators.

a) Please confirm whether or not Festival Hydro took into account any external comparators when determining these increases. If yes, please state what they were and how they impacted on what is proposed in the application. If not, please state why not, and explain the justification for the spending level in the absence of such information.

4-Staff-40

Ref: E4/T3/S2, Appendix 2-K – Compensation Strategy
With respect to Appendix 2-K, please explain the applicant's compensation strategy and its core HR objectives. Please explain how this strategy has resulted in a 13.4% increase in non-management compensation, while compensation for management has remained flat.

4-Staff-41

Ref: E3/T3/S1/p. 9; E4/T3/S1; and Accounting Procedures Handbook, effective January 1, 2012

Festival indicated that it has recorded gains or losses related to the change in the discount rate for the Employee Future Benefit cost determination in Account 4335 Pension Actuarial Gains and Losses. It has also not recorded any amounts for gains and losses for 2014 and 2015 and is of the opinion that it should not be considered in its revenue requirement.

a) Per APH effective January 1, 2014, Account 4335 is for Profits and Losses from Financial Instrument Hedges that is be used to record profits and losses from financial instruments used as hedges against financial risks such as price risk credit risk, liquidity risk and cash flow risk. Please explain why Festival is not adhering to the APH's definition of Account 4335.
b) As Festival is proposing that actuarial gains and losses be excluded from its revenue requirement,
    i. Please explain if Festival will be requesting any refund or recovery in the future when Festival actually incurs the actuarial gain or loss.
    ii. From 2000 to 2005, please confirm that Festival recovered OPEB costs in rates on a cash basis.
    iii. Please provide a table comparing the actuarial gain/loss included in Festival's revenue requirement to the actual actuarial gain/loss incurred

from the year Festival first included the gain/loss in its revenue requirement to 2015.

iv. Please provide a table similar to the one below for each year from the first year Festival included Other Post-Employment Benefits ("OPEB") in rates on an accrual basis of accounting to 2015, comparing to amounts Festival actually paid.

	…2006	2011	2012	2013	2014	2015
Amounts included in rates						
OM&A						
Capital expenditures						
Sub-total						
Paid amounts						
Net excess amount included in rates greater than amounts actually paid						

c) Festival indicated that it used to record actuarial gains and losses in Account 5645.
   i. Please explain how the amounts pertaining to actuarial gains and losses included in rates under Account 5655 per part biii) above relate to the Benefits variance analysis provided in Exhibit 4, Tab 3, Schedule 1, Employee Compensation Breakdown section.
   ii. Please explain what portion of actuarial gains and losses have been included or excluded in the Benefit Expense table from 2010 to 2015 in the Employee Compensation Breakdown section in Exhibit 4, Tab 3, Schedule 1.

d) Please explain what Festival has done with the excess amounts greater than the actual benefit payments recovered from ratepayers, if any, as shown in the previous table above in (b).

4-Staff-42

Ref: E4/T4/S1/p. 1-4; E4/T4/S1/Att. 2-3, Appendix 2-C; and Accounting Procedures Handbook, effective January 1, 2012

Regarding depreciation expense,

a) In the depreciation expense summary table on page 4, the 2014 depreciation expense under new policies and 2014 MIFRS depreciation expense are different.
b)

i. Please confirm that one of the reasons for the difference is due to the amortization of the assets over average remaining useful life recalculated as at January 1, 2014.
ii. Please explain any other reasons for the difference in depreciation, including any impact from disposals of assets in 2014 under MIFRS.

c) As indicated on page 2, Festival has recalculated the average remaining useful life of opening balance of assets on January 1, 2013. The change in useful lives was implemented January 1, 2013. On page 1, Festival also indicated that due to transition to MIFRS, it will amortize the opening net book value of assets over their average remaining life in 2015. In Appendix 2-C, the 2014 MIFRS (2-CL) and 2015 MIFRS (2-CM) depreciation schedules also show the recalculated average remaining life of opening NBV as at the beginning of that year.

i. Please confirm that in the calculating depreciation expense, Festival has recalculated the useful lives again in each of 2014 and 2015 as the average remaining life of the opening NBV as at January 1, 2014 and January 1, 2015 respectively.
ii. If the response to part i) above is no, please explain how Festival has calculated the depreciation under MIFRS in 2014 and 2015.
iii. Per pages 4 and 5 of Article 320 of the APH, a change in estimate of useful lives is accounted for prospectively, with a recalculation of the average remaining useful life of the opening net book value. Please indicate if Festival has made further changes to useful lives in 2014 and 2015. If yes, please identify and explain what further changes to useful lives Festival has made in 2014 and 2015, why the changes were made and the nature of the changes.
iv. If no further changes in useful lives were made in 2014 or 2015, please explain why Festival has amortized the opening net book value of assets over their recalculated average remaining life in 2014 and 2015 in the calculation of depreciation expense.
v. Please revise the depreciation schedules for 2014 and 2015 as necessary. Please update the evidence, including rate base, Appendix 2-BA, Accounts 1575 and 1576 for the revisions.

4-Staff-43

Ref: E4/T5/S1/Att. 1, PILS model and E2/T1/S1/Att. 1, Appendix 2-BA

On Schedule 8 CCA of the test year, additions of $14,398,308 are listed with a description of “additions on 2015 continuity but added to CCA purposes in prior year”.

a) Please indicate where this addition and the corresponding CCA is shown on the Schedule 8 CCA of the bridge year.
b) On the Schedule 8 CCA of the test year, please explain why $0 of CCA is included for these assets in the test year.
c) The $14,398,308 additions are for the ICM assets. Please explain why Festival is proposing to include the CCA starting in the bridge year and not the test year or historic 2013.
d) In Appendix 2-BA 2015 MIFRS, $436,468 of additions is included in Account 1609 Intangible assets. This amount is part of the $14,398,308 ICM assets on Schedule 8 CCA of the test year. This amount is not added to Schedule 10 CEC of the test year. Please explain why this amount was included in the CCA schedule and not the CEC schedule.
e) Please update the PILS model as appropriate.

4-Staff-44

Ref: E4/T5/S1/Att. 1, PILS model and E4/T3/S8/p. 1

Please confirm that Festival has made the appropriate adjustments for charitable donations in the PILS model for the bridge and test year.

4-Staff-45

Ref: E4/T5/S2/Att. 1

Please indicate if there have been any reassessments on Festival’s 2013 tax return. If yes and the reassessment is material, please provide the 2013 Notice of Assessment.

4-Staff-46

Ref: E4/T5/S7 and RRWF

In Exhibit 4, Festival indicated that the property taxes for 2015 are $188,000. In the RRWF, property tax of $19,225 is included. Please explain the difference and update the evidence as necessary.

4-Staff-47

Ref: E4/T5/S2, p. 1 and Attachment 1, PILs model – PILs

On page 1 of the first reference, Festival Hydro notes that a loss of $60K has been projected and added back in the PILs calculation of the bridge year. This projected loss represents the cost of preparing a municipal substation for disposal.

a) Please explain why Festival Hydro has included a projected loss on the property prior to the sale of the substation in its PILs calculation.

b) Please discuss the expected time of sales of the property and the expected total gain or loss upon sale and how this gain or loss will be shared with customers.

4-Staff-48

Ref: E4/T4/S1/Att. 2-3, Appendix 2-C and E9/T3/S12/p.3

In Appendix 2-CM, 2015 MIFRS depreciation schedule, variances are noted in the depreciation schedule between the depreciation expense calculated in the appendix and depreciation expense per Appendix 2-BA as the half year rule was not being applied to the transformer station assets transferred into capital. The total depreciation from the variance account for 2013 and 2014 as per the note in the 2015 Appendix 2-CM is $365,784 ($346,871+$18,914). The total depreciation expense to be transferred into capital per Exhibit 9 is $253,235. There is a difference of $112,549.

a) Please explain the difference and revise the evidence as necessary.
b) Please provide a true-up calculation applying the half-year rule as originally applied for, adjusting only for the capital expenditure reduction of $551,330 and final TS asset values.
c) Please provide the resulting net book value for the TS station as of January 1, 2015.

Exhibit 7 – Cost Allocation

7-Staff-49

Ref: E7/T1/S1 – Weighting Factor

On page 4, Festival states that in developing weighting factors for Billing and Collection there are no major differences in rate class billing costs with TOU billing now in place. However, there is not equality for Collection costs. Festival states that less time is spent on the higher value customer such as GS>50 kW, and that greater time is spent with residential customers explaining bills, taking care of retailer questions, making payment arrangements, LEAP and AMP provisions, and collection and disconnection activities. However, the weighting factors seem to not reflect these points, with GS>50 weighted higher at only 1.5 relative to 1.0 for the residential. Given the explanation that there are limited collection activities and the volume of bills is low, Board staff think that a weighting factor that is 80% of the more demanding residential class for Street lighting and Unmetered Scattered Load might be high.

a) Please explain any other factors that that contributed to the weighting factors.

b) If any or all of the weighting factors need to be adjusted:

   i.) Please submit new factors and explain the new factors; and

   ii.) Please update the cost allocation model, and provides a live excel version of that model.

7-Staff-50

Ref: E8/T1/S1 – Cost Allocation Model - Sheet O2, Monthly Fixed Charge

On page 2, Festival has provided two tables.

a) In the first table please confirm that the Cost Allocation – Maximum Fixed Rate (b), sub column Rate should contain the Customer Unit Cost per month – Minimum System with PLCC Adjustment form Sheet O2 in the Cost Allocation Model. If so, please update.

The second table lacks the superior column headings.

b) Please confirm that the first green shaded column in the second table contains the proposed fixed charges.

Board staff has developed the following table from the above two references.

Rate Classes above the Maximum				
	(Col. 1)	*(Col. 2)*		*(Col. 3)*
	Fixed Rate			Sheet O1
	Current	Proposed		Maximum
General Service 50 - 4,999 kW	$227.57	$253.49		$66.33
Large Use	$10,883.89	$11,900.62		$874.44

Unmetered Scattered Load	$13.04	$8.17		$8.12

c) Please confirm the values in the table.

Exhibit 8 – Rate Design

8-Staff-51

Ref: E8/T7/S1 – Low Voltage Service Rates

Festival states that in order to determine new rates for 2014 and 2015, it took the Low Voltage kW demands for 2013, and applied the new January 2014 rates to determine the bridge year 2014 costs. Festival states that it then applied an estimated 2.0 % increase for the 2015 test year. However, the table illustrating the calculation uses 2013 actual costs and 2014 projected demand.

a) Please provide a table that illustrates what Festival proposes and explain the calculations and reasons why the approach Festival is proposing is appropriate.

b) Please explain why Festival did not apply the new Hydro One rates to the forecast demand for 2014 and then, if necessary, adjust with an estimated inflator such as 2% for the fact that Hydro One has applied for new higher rates.

c) If Festival's response to a) is not the approach stated in b), please proved the results from the approach described in b).

8-Staff-52

Ref: E8/T6/S1 and E3/T3/S1, p. 10 and Appendix 2-H – Specific Service Charge

In its application Festival Hydro requested to remove three of its temporary service – specific service charges from the Tariff of Rates and Charges and consequently change its Conditions of Service to adjust for these charges.

a) Please elaborate on how Festival Hydro's approach is in compliance with section 78(2) of the OEB Act?

b) Please provide a methodology that could be listed on the Tariff of Rates and Charges that would allow for a case-by-case calculation of these three charges, e.g. Temporary service – install & remove overhead – no transformer …time and material.

8-Staff-53

Ref: E8/T10 – Tariff of Rates and Charges

The 3rd paragraph in the "Application" section of the tariff sheet for each rate class reads as follows:

> *Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.*

Based on recent Tariff of Rates and Charges approved by the Board in 2013 and 2014 rate applications, the above paragraph should be amended as follows:

> *Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.*

Please confirm whether the applicant has any concerns with the noted change to be applied to those classes for which the regulatory component applies, and if so, why.

8-Staff-54

Monthly Billing Impacts

a) Please identify the billing frequency that the applicant is planning on using for the test period and beyond.

b) If the applicant is planning to implement monthly billing, please refer to parts c) through g) below. If not, please explain why not.

c) Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.

d) Please identify the percentage of customers on e-billing as of December 31, 2013.

e) Please describe the Applicant's efforts to promote e-billing to its customers.

f) Please describe other initiatives that the Applicant has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.

g) As part of the decision making process, has the applicant determined the impact of the change to monthly billing on its working capital? If so, how is the working capital impacted by this change? If not, why not?

Exhibit 9 – Deferral and Variance Account

9-Staff-55

Ref: E9/T1/S1/p.2 and Accounting Procedures Handbook, effective January 1, 2012

In the DVA table for Account 1590 Recovery of Regulatory Asset Balances, Festival has indicated that the account will be continued. If Account 1590 is approved for disposal, this account will be cleared to $0. Account 1590 has been discontinued in the Accounting Procedures Handbook, effective January 1, 2012. The Board approved Account 1595 Disposition and Recovery/Refund of Regulatory Balances in 2008. Please explain why Festival is proposing the continuation of Account 1590.

a) Please revise the evidence as appropriate.

9-Staff-56

Ref: E9/T2/S4/p. 1; EDDVAR Continuity Schedule; and Report of the Board on Electricity Distributor's Deferral and Variance Account Review Initiative ("EDDVAR Report")

Per Exhibit 9, Account 1595-2010 balance was to be disposed over a four year period ending April 30, 2014 as per Festival's 2010 cost of service application. As at April 30, 2014, Festival projects that the principal and original interest will have been fully repaid and $57,623 of new interest will remain at December 31, 2014. No new interest has been added to the account after April 30, 2014. Festival is requesting the disposition of this remaining balance and the account to be closed.

a) The 2015 claim amount for Account 1595-2010 in the EDDVAR continuity schedule is for principal and interest balances as at December 31, 2013. For the claim amount of ($57,623), please clarify:

   i.) The date in which the principal and "original" interest pertains to (i.e. as at December 31, 2013 per EDDVAR continuity schedule or December 31, 2014 per Exhibit 9)

   ii.) The date in which the "new" interest pertains to as Festival indicated $57,623 of new interest will remain as at December 31, 2014, but no new interest has been added to the account after April 30, 2014.

   iii.) Whether the claim amount includes all rate riders refunded up to and only up to April 30, 2014. If not, please provide further details.

   iv.) Why the claim amount of ($57,623) is exactly equal to the "new" interest (i.e. was there no under or over collection of rate riders as at April 30, 2014?).

   v.) What the $254,512 in the 2014 Disposition column of the EDDVAR continuity schedule represents.

b) Per page 12 of the EDDVAR Report, the balances to be reviewed in the distributor's application will be for the most recent period ending December 31 as reported to the Board as of April 30 through the RRR. In Festival's case, this will be balances as at December 31, 2013. It appears that Festival is proposing to dispose of Account 1595-2010 as at April 30, 2014 or December 30, 2014. Please clarify which date Festival is proposing to dispose the account as at and explain why Festival is proposing to deviate from the EDDVAR Report and dispose of a future unaudited balance.

9-Staff-57

Ref: E9/T3/S2/p.1-2; E9/T3/S3/p. 1; Festival 2010 Cost of Service Decision EB-2009-0263 and Accounting Procedures Handbook ("APH") FAQ December 2010

Per Schedule 2, Festival indicated that it was directed by the Board to record incremental savings on HST in its 2010 cost of service application. Festival has recorded this under Account 1592, PIL's and Tax Variances for 2006 and Subsequent Years. Per Schedule 3, Festival indicated that Account 1592 Harmonized Sales Tax deferral account is not used. Per page 19 of the Board decision for Festival's 2010 cost of service application, Festival was directed to use deferral account 1592 PILS and Tax Variances, sub-account HST/OVAT Input Tax Credits.

a) Please explain why Festival is not using the Board directed sub-account. Please revise the evidence as necessary, specifically indicating which account Festival is using and the continuation and discontinuation of the sub-accounts.

b) Please confirm that the balance of $164,589 requested for disposition is 50% of the total ITCs tracked from July 1, 2010 to December 31, 2013 and ITCs forecasted from January 1, 2014 to December 31, 2014. If not, please explain what portion of the ITCs the 50% was applied to.

Festival indicated that it has not included any of the savings related to capital purchases. APH FAQ dated December 2010, FAQ #4 states that "For any period before the rebasing that occurs after July 1, 2010 these PST savings would be included in the annual depreciation of the capital items. These depreciation saving amounts would need to be identified, calculated and summarized." Festival last rebased in 2010, per page 18 of the Board Decision for Festival's 2010 cost of service rate application, Festival stated that it has not made any adjustments to its 2010 OM&A and capital expenditure forecasts. Therefore, Festival should include capital related savings in the account.

c) Please explain why Festival did not include savings related to capital purchases in the account.

d) Please provide an analysis on the capital savings from July 1, 2010 to December 31, 2014 in accordance with APH FAQ December 2010, FAQ #4 and update the evidence as necessary.

9-Staff-58

Ref: E9/T3/S4/p. 1 and E9/T3/S6/Att. 1, Appendix 2-U; and Filing Requirements

Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

In Exhibit 9, Festival indicated that the balance in Account 1508 Deferred IFRS Transition Costs is $115,398, including $109,628 in costs and carrying charges of $5,770 as at December 3, 2014.

In Appendix 2-U, please clarify whether the $9,525 in the Audited Carrying Charges to Dec. 31, 2013 column are actually costs incurred in 2013 or are carrying charges. If it is for carrying charges, please explain the nature of these carrying charges.

Per chapter 2, page 61 of the Filing Requirements, an applicant should request for review and disposal of the account for the balance including the unaudited actuals for the bridge year and a forecast of any remaining costs to be incurred for the test year.

a) Please quantify these costs and the related carrying charges to December 31, 2014 and update the evidence.

9-Staff-59

Ref: E9/T3/S7/p.1-3 and Accounting Procedures Handbook ("APH"), effective January 1, 2012

Festival stated that it is awaiting its 2015 future employee benefit actuarial report. Festival requested that as part of this proceeding, Festival be allowed to update Account 1575 for the projected change in liability arising due to the adoption of MIFRS. Per the APH, Account 1575 pertains only to differences in PP&E accounts that will be included in rate base.

a) Please explain why Festival is proposing to include future employee benefit obligations in Account 1575.

b) Please provide any updates to future employee benefits in the relevant sections of the application.

9-Staff-60

Ref: E9/T3/S7/p.1-3

With regards to Account 1575, Festival requests the ability to true up 2014 bridge year forecasted amounts used in determining Account 1575 balances and other transitional amounts not identified in the application.

a) Please explain what the "other transitional amounts" not identified in the application could include.

b) In response to part (a), please explain why these other transitional amounts have not been incorporated into the application even though Festival is filing a 2015 cost of service application based on MIFRS.

c) In the past, the Board has typically approved the disposition of Account 1575 with no true-up to actuals. Please explain why Festival is requesting that the Board deviate from this practice.

9-Staff-61

Ref: E9/T3/S8; E9/T3/S7/Att. 1, Appendix 2-EE; E2/T1/S1/Att. 1, Appendix 2-BA; E3/T3/S1/p.9; E1/T4/S1/Att. 3, 2013 Financial Statements; and Accounting Procedures Handbook, FAQ, July 2012

Per Schedule 7, Festival made accounting policy changes effective January 1, 2013, when Festival was still under CGAAP. The balance related to this was recorded in Account 1575. Per Schedule 8, Account 1576 has a zero balance. However, the balance pertaining to the capitalization and depreciation policy changes should be recorded in Account 1576 as per the definition of the account in the APH. Per APH FAQ July 2012 Q2, Appendix A, Account 1575 and Account 1576 cannot be used interchangeably.

a) Please separate out the total change in PP&E between Accounts 1575 and 1576, subject to the interrogatories below, since the difference between Revised CGAAP and MIFRS in the bridge year is material, as can be seen in the Appendix 2-BA 2014 schedules.

Differences were noted regarding the total difference in PP&E balance Festival recorded in Account 1575. In Appendix 2-EE, the 2014 net closing PP&E under Revised CGAAP is $38,621,332. This balance does not correspond to the Appendix 2-BA 2014 New Policies net closing PP&E balance of $38,941,519 or MIFRS net closing PP&E balance of $38,262,163.

b) Please explain how the balance in Appendix 2-EE was derived and why it does not correspond to the balances from Appendix 2-BA.

c) Please update the evidence as appropriate to separate out the total PP&E difference between Accounts 1575 and 1576 as requested in part a) above, ensuring that the 2014 net closing PP&E balances agree to the balances in Appendix 2-BA Revised CGAAP for Account 1576 and MIFRS for Account 1575.

Differences were noted between the amounts recorded in Account 4305 (which agrees to the amount in Festival's 2013 financial statements) and the amounts recorded in Account 1575 from Appendix 2-EE as shown below.

	2013 FS Note 8	Exhibit 3, Tab 3, Schedule 1, Page 9	Appendix 2-EE
2013	696,846	696,846	737,036
2014	N/A	737,851	786,346
		1,434,697	1,523,382

d) Please explain and reconcile the differences between the amounts recorded in Account 4305/2013 financial statements and the amounts recorded in Account 1575. Please update the evidence as appropriate, subject to the interrogatories above.

9-Staff-62

Ref: E9/T3/S12 and Filing Requirements for Electricity Distribution Rate Applications 2015 Rate Applications, dated July 18, 2014

a) Per Chapter 2, Section 2.5.2.7 of the Filing Requirements, please provide the account balances recorded under:

- Account 1508 Other Regulatory Asset, Sub-account, Incremental Capital Expenditures, including a breakdown of the carrying charges
- Account 1508 Other Regulatory Asset, Sub-account, Depreciation Expense
- Account 1508 Other Regulatory Asset, Sub-account Accumulated Depreciation and
- Account 1508 Other Regulatory Asset, Sub-account Incremental Capital Expenditures Rate Rider, including a breakdown of the carrying charges

9-Staff-63

Ref: E9/T3/S12/p.2-3 and Supplemental Report of the Board on 3rd Generation Incentive Regulation, September 17, 2008 ("Supplemental Report")

For the ICM Rate Rider Account #1522 table,

a) Please confirm that the ICM Rate Rider Account #1522 should be Account 1508. If not, please explain what Account 1522 is.

b) On p. 30 of the *Supplemental Report of the Board*, the Board stated that the capital module is intended to be reserved for unusual circumstances…and where the distributor has no other options for meeting its **capital requirements** within the context of its financial capacity underpinned by existing rates. Festival Hydro is showing OM&A of $244,816 related to the TS.

   vi.) Please explain what is included in this amount and why Festival Hydro is recording out-of-period OM&A expenses in account 1522.

   vii.) Please state if these OM&A expenses where approved as part of Festival Hydro 2013 IRM-ICM application.

   viii.) Please revise the evidence as necessary.

c) Please confirm whether or not the Interest line of $235,093 represents the carrying charges for Incremental Capital Expenditures and Incremental Capital Expenditures rate rider. If not, please clarify what the interest amount is for.

d) Festival is proposing to transfer all accumulated depreciation to Account 2218 and depreciation expense to Account 5705. Please explain what Account 2218 is.

e) Please revise the evidence to reflect the accumulated amortization in Account 2105 Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment and Account 2120 Accumulated Amortization of Electric Utility Plant – Intangibles and the depreciation expense in Account 5705 and Account 5715 Amortization of Limited Term Electric Plant.

9-Staff-64

Ref: E9/T3/S12, pp. 1-9 – Incremental Capital Module True-up

Festival Hydro has provided a true-up of its new 62 MVA Transformer station, which was funded through an incremental capital module as part of its 2013 IRM application.

As part of its current application Festival Hydro is requesting additional ICM rate riders to recover incremental revenue requirement as follows:

Description	2013	2014 (8 months)	Total
Inc. Revenue Requirement – as originally filed EB-2001-0124) (2014=2013/12*8)	$672,412	$448,275	$1,120,687
Inc. Revenue Requirement – true up of costs, depreciation and CCA)	$508,652	$938,371	$1,447,023
Variance arising on true up – additional inc capital requirement	**$(163,760)**	**$490,096**	**$326,336**

Proposed Incremental Capital Volumetric Rate Rider effective Jan 1, 2015 to Dec 31, 2015 (1 year)					$ 326,336.00	
Rate Class	2015 Test Year kWh	2015 Test Year kW	Allocatoin based on 2015 TY kWh	Allocated Balance	Volumetric Rate Rider	Unit
Residential	140,900,798	-	23.7%	77,347	$ 0.0005	kWh
GS < 50 kW	64,179,621	-	10.8%	35,231	$ 0.0005	kWh
GS >50 kW to 4,999 kW	361,832,480	946,164	60.9%	198,627	$ 0.2099	kW
Large Use	22,191,326	34,422	3.7%	12,182	$ 0.3539	kW
USL	660,967	-	0.1%	363	$ 0.0005	kWh
Sentinel Lights	150,156	356	0.0%	82	$ 0.2315	kW
Street Lighting	4,559,343	12,017	0.8%	2,503	$ 0.2083	kW
Total	594,474,691	992,959	1	326,336		

9-Staff-65

Ref: E9/T3/S11 – Stranded Meter Costs

Festival Hydro provided a cost allocation for stranded meter costs based on number of customers.

a) Please provide sheet I 7.1 from Festival Hydro last rebasing cost allocation study.
b) Please provide a cost allocation of stranded meters by rate class based on the breakdown of conventional meter costs found on sheet I7.1 as shown in Festival Hydro’s 2010 cost of service application.

9-Staff-66

Ref: E9, Attachment 1 of 1, LRAM & CDM Reports, Page 1 of 19, Table

Festival shows its 2011 program savings and lost revenues in the table at the reference above. Staff has copied a portion of the table below. Festival has included a kW savings amount related to its Energy Audit initiative for GS>50kW to 4,999 kW customers.

2011 adjustments			5.00	11,580
GENERAL SERVICE <50kW TOTAL				
General Service >50kW to 4,999kW				
Efficiency: Equipment Replacement	2011	Final	107.38	583,061
New Construction	2011	Final	0.00	0
2011 adjustments			238.69	1,341,638
Energy Audit	2011	Final	0.00	0
2011 adjustments			5.00	25,176
Demand Response 3	2011	Final	68.00	2,665
GENERAL SERVICE >50kW to 4,999kW TOTAL				
Large Use				
New Construction	2011	Final	0.00	0
2011 adjustments			549.31	2,079,477
LARGE USE TOTAL				
TOTAL LRAMVA - 2011 OPA PROGRAM RESULTS				

a) Please provide the reference in the OPA Final Results report for the savings amount of 238.69 kW for the Energy Audit initiative.

9-Staff-67

Ref: 2015 COS Application, Exhibit 9, Tab 3, Schedule 10, Page 2 of 3

Festival notes that it has relied on 2013 preliminary results and will update these amounts once the OPA provides it with the final results.

a) Please confirm that Festival expects to be able to update its 2013 LRAMVA amount and total request with the final 2013 results on or before September 30, 2014.