

2015 ELECTRICITY DISTRIBUTION RATES
Festival Hydro Inc.

EB-2014-0073

STAFF SUBMISSION

October 30, 2014

INTRODUCTION

On October 22, 2014 Festival Hydro Inc. (“Festival Hydro”) filed a settlement proposal with respect to its application for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015.

The parties to the settlement proposal are Festival Hydro and the Board-approved intervenors in the proceeding: the Vulnerable Energy Consumers’ Coalition, the School Energy Coalition, Energy Probe Research Foundation and Association of Major Power Consumers in Ontario.

The settlement proposal represents a partial settlement. There are several unsettled issues in the proceeding, as follows:

- The level of Festival Hydro’s operations, maintenance and administration (“OM&A”) expenses for 2015 to be factored into the 2015 revenue requirement and recovered in distribution rates;
- The proportion of Working Capital to be used to determine the Working Capital Allowance (“WCA”) to be factored into the 2015 rate base;
- The value of the rate base, including the treatment of costs related to a new Transformer Station and a related by-pass agreement;
- The request for additional funding through an incremental capital module to recover additional costs related to a new Transformer Station (“TS”), including amounts related to depreciation treatment and the proposed establishment of a new deferral account to record incremental OM&A costs; and
- The proposed fixed/variable ratio used to determine the distribution rates for General Service Greater than 50 kW.

The parties propose that these matters should be the subject of an oral hearing.

This submission reflects observations which arise from Board staff’s review of the evidence and the settlement proposal, and is intended to assist the Board in deciding upon Festival Hydro’s Application with respect to the issues laid out in the Settlement Proposal and in setting just and reasonable rates.

Submission

Board staff has reviewed the settlement proposal in the context of the objectives of the Renewed Regulatory Framework for Electricity, other applicable Board policies, relevant Board decisions, and the Board's statutory obligations. While the parties considered the issues and Festival Hydro's planning in the limited context of the test year, Board staff is of the view that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, and appropriate consideration of relevant issues. Board staff submits that parties have considered the settled issues within the context of the Renewed Regulatory Framework for Electricity, and have given due consideration to the outcomes of Customer Focus, Operational Effectiveness, Public Policy Responsiveness and Financial Performance.

Board staff submits that the Board's approval of the proposal as filed would adequately reflect the public interest and would result in just and reasonable rates for customers.

Notwithstanding the above, Board staff's submission below provides further discussion of Festival Hydro's disposition of Account 1595 to provide some background and context for the Board's consideration.

In its response to interrogatories, Festival Hydro explained that it proposed to dispose of Account 1595-2010 for (\$56,321) as at April 30, 2014 since the associated rate rider ceased as at April 30, 2014 and the balance of the account will not change subsequently. The balance is audited to December 31, 2013. Festival Hydro indicated that it would prefer to clear this balance and remove the account from its books effective January 1, 2015. The parties have agreed to the disposition of this account in the settlement proposal.

Per the Electricity Distributor's Deferral and Variance Account Review Initiative ("EDDVAR Report") dated July 31, 2009, the balances to be reviewed in the distributor's application will be the most audited balances ending December 31 as reported to the Board as of April 30 through the RRR. In Festival's case, this would be for balances as at December 31, 2013. In the normal course, balances in 2014 would persist until December 31, 2014 and be disposed in the 2016 IRM application. Board staff submits that even though the disposition of Account 1595-2010 as at April 30, 2014 is a departure from the EDDVAR Report, the

earlier disposition of this account is a reasonable approach because the balance is not material and unlikely to change at year end 2014. Board staff also understands Festival Hydro's preference to clear this account sooner rather than later. As such, Board staff does not take issue with this matter.

All of which is respectfully submitted.