

**Festival Hydro Inc. (EB-2015-0069)**  
**Board staff Interrogatories**

**Interrogatory #1**  
**Tab 7 – Tax Sharing**

In its application, Festival Hydro calculated a tax sharing amount of \$6,803. Festival Hydro noted that as per its 2015 CoS PILs filing Festival's effective tax rate is 24.18%.

In its 2015 cost of service application, Festival was approved for the following PILs tax provision, which shows a tax rate of 26.5%:

PILs Tax Provision - Test Year			
			<b>Wires Only</b>
Regulatory Taxable Income			\$431,863 A
<b>Ontario Income Taxes</b>			
Income Ontario Income Tax	11.50% B	\$ 49,664	C = A * B
Small business Ontario Small Business Threshold	\$ - D		
Rate reduction	-7.00% E	\$ -	F = D * E
<hr/>			
Ontario Income tax	15%	\$ 49,664	J = C + F
<b>Combined Effective Ontario Tax Rate</b>		11.50%	K = J / A
Federal tax rate		15.00%	L
Combined tax rate		26.50%	M = K + L
<b>Total Income Taxes</b>		\$ 114,444	N = A * M
Investment Tax Credits		\$ 10,000	O
Miscellaneous Tax Credits			P
<b>Total Tax Credits</b>		\$ 10,000	Q = O + P
<b>Corporate PILs/Income Tax Provision for Test Year</b>		\$ 104,444	R = N - Q
Corporate PILs/Income Tax Provision Gross Up <sup>1</sup>		73.50%	S = 1 - M
		\$ 37,657	T = R / S - R
<b>Income Tax (grossed-up)</b>		\$ 142,100	U = R + T
<b>Note:</b>			
be used for sufficiency/deficiency calculations.			

OEB staff provided a revised tax sharing amount using the following inputs on sheet 7 of the rate generator model.

### Summary - Sharing of Tax Change Forecast Amounts

<b>For the 2015 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)</b>		10,000
<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>	<b>2015</b>	<b>2016</b>
Taxable Capital (if you are not claiming capital tax, please enter your Board-Approved Rate Base)	\$ 61,778,759	\$ 61,778,759
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 46,778,759	\$ 46,778,759
Rate	0.00%	0.00%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>		
Regulatory Taxable Income	\$ 431,863	\$ 431,863
Corporate Tax Rate	26.50%	26.500%
Tax Impact	\$ 104,440	\$ 104,444
<b>Grossed-up Tax Amount</b>	<b>\$ 142,100</b>	<b>\$ 142,100</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 142,100	\$ 142,100
Total Tax Related Amounts	\$ 142,100	\$ 142,100
Incremental Tax Savings		\$ 0
<b>Sharing of Tax Amount (50%)</b>		<b>\$ 0</b>

- a) Please confirm that above PILs inputs are correct and update a revised version of the rate generator to reflect the latest OEB approved tax information.

### Interrogatory #2 Tab 3 – Continuity Schedule

OEB staff notes that Festival Hydro entered an amount of (\$191,884) in cell AK33 and (\$63,930) in cell AP33, indicating the disposition of these balances in account 1595 (2010) during the 2014 rate year. In the IRM decision EB-2013-0129 the OEB found that no disposition of DVA balances was required at that time.

- a) Please confirm that Festival agrees that these amounts should be recorded in columns AJ and AO as transactions and interest respectively and update the model accordingly.
- b) If the answer to a) is no, please provide an explanation.

### **Interrogatory #3**

#### **Tab 18 – Bill Impact**

On page 9 of the *Filing Requirements for Electricity Distribution Rate Application, Chapter 3*, dated July 16, 2015, the OEB directed applicants to evaluate and provide the total bill impact for a residential customer at the distributor's 10<sup>th</sup> consumption percentile. OEB staff notes that Festival Hydro did not provide this calculation.

- a) Please provide a total bill impact calculation for the 10<sup>th</sup> consumption percentile.
- b) Please confirm that the total bill impact for these customers is below 10%. If not, please provide a mitigation plan for the whole residential customer class or indicate why such a plan is not required.

### **Interrogatory #4**

#### **Tab 18 – Bill Impact**

On tab 18 of the rate generator, the OEB requests applicants to provide bill impacts.

- a) Please update tab 18 and identify non-RPP consumption in column H of the summary input table.
- b) Please update the rate generator to indicate which customer classes were eligible for the OCEB credit prior to January 1, 2016.
- c) Please indicate the rate classes applicable in the additional scenarios through the drop-down menu in column D.

### **Interrogatory #5**

#### **Managers summary, p. 7 – LRAMVA**

On page 13 of the *Filing Requirements for Electricity Distribution Rate Application, Chapter 3*, dated July 16, 2015, the OEB requests the following information in relation to the disposition of the LRAMVA Account 1568.

- *Separate tables for each rate class showing the lost revenue amounts requested by the year they are associated with and the year the lost revenues occurred. Within each rate class table, include a list of all the CDM programs/initiatives applicable to that rate class and provide the energy savings (kWh) and peak demand (kW) savings assigned to those programs/initiatives*
  - *Lost revenue calculations, determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's OEB-approved variable distribution charge appropriate to the class*
- a) Please provide a table showing the above information.
  - b) Please provide a table showing the rate rider calculation by rate class.
  - c) Festival Hydro stated that the final OPA report will not be available until the end of August 2015 and that it will update the LRAMVA claim prior to finalization of the 2016 IRM rates. Please provide the final OPA results now and update the LRAMVA claim as necessary. If the final report is not available, please state when Festival Hydro expects to receive the final results.

**Interrogatory #6****Manager's summary, p. 10 – Rate Rider for Recovery of Permanent Bypass Expenditure**

- a) Please provide detailed reasons for the delay in finalizing the final amount owing for the permanent bypass agreement between Festival Hydro and Hydro One Networks Inc. (HONI).
- b) Please provide any communication between the HONI and Festival Hydro regarding the finalization of the amount owing for the permanent bypass.
- c) Please provide the latest available estimate of the permanent bypass expenditure.
- d) Please calculate the adjusted rate rider based on the estimate in c) under two scenarios;
  - a. Implementation effective Jan 1 2016
  - b. Implementation effective Jan 1 2017
- e) Given the fixed sunset date of December 31, 2017, please explain whether and how Festival proposes to mitigate the effects of a shorter recovery period on its customers in the event that the rider is not adjusted until 2017 and the final amount is considerably different from the 1.23M initially adopted to calculate the rate rider.

**Interrogatory #7****Manager's summary, p. 6-7 – Global Adjustment**

Festival Hydro is requesting a rate rider for the disposition of Global Adjustment (2015) in the amount of \$1,442,080. This represents transaction and interest amounts during the 2014 rate year. In the 2013 rate year, Festival Hydro showed transactions in the amount of \$161,745.

- a) Please confirm that all balances in account 1589 were cleared during Festival Hydro's last cost of service proceeding EB-2014-0073.
- b) Please explain the large balance in account 1589 Global Adjustment (2015), which is about 8 times the per unit value relative to 2013 when assessed by transaction.
- c) Transactions in account 1588 show a debit of \$52,825 in 2013 and a credit of \$180,244 in 2014. Do any changes in billing patterns or settlement practices explain the four-fold change in the value from 2013 to 2014? Please explain any other reasons for the change in the balances.
- d) Please state if Festival Hydro's systems or procedures have changed materially during the past two years.