



PUBLIC INTEREST ADVOCACY CENTRE  
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November 2, 2015

VIA E-MAIL

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2015-0069 Festival Hydro Inc. 2016 Price Cap IR Application  
Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the submissions of VECC in the above-noted proceeding.

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read 'Michael Janigan', is written over a thin horizontal line.

Michael Janigan  
Counsel for VECC

Cc: Festival Hydro Inc.

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF AN APPLICATION BY**

**FESTIVAL HYDRO INC.**

**Application (Price Cap IR) for electricity distribution rates and other charges  
effective January 1, 2016.**

**SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION**

Request to Defer Final Adjustments Related to Bypass Agreement

- Festival Hydro Inc. (Festival) requests to defer the final adjustments related to a permanent bypass agreement (PBA) between Festival Hydro and Hydro One Networks Inc. (Hydro One) until its net rebasing application, should a final balance not be issued by Hydro One prior to the finalization of this application.
- In Festival's 2013 IRM application, Festival obtained Board approval for cost recovery for a new transformer station that was requested through an Incremental Capital Module (ICM).
- In Festival's 2015 Cost of Service application (EB-2014-0073), Festival made the Board aware that due to a significant decrease in the expected forecast load, Festival Hydro was now required to sign a bypass agreement with Hydro One, to allow the transfer of existing transmission load from the Hydro One transformer station to Festival's new transformer station, thereby avoiding \$475,000 per year in transmission charges.
- The bypass agreement requires Festival Hydro to make a one-time payment to Hydro One.
- At the time of the Board's Decision in EB-2014-0073, the final cost of bypass compensation was unsettled between Festival and Hydro One. Festival requested the ability to adjust the bypass rate rider as part of its 2016 IRM application once the final Hydro One invoice amount is known.
- The Board found that an amount \$1,230,026 was tested in the 2015 COS proceeding and should be used to calculate the bypass rate rider given the uncertainty of the final invoiced amount. The Board approved a disposition period of 31 months, ending December 2017.<sup>1</sup>

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<sup>1</sup> EB-2014-0073 Decision, Page 5

- At the timing of Festival's 2016 IRM application, the final amount of the bypass compensation had not been finalized with Hydro One.
- In response to interrogatories, Festival indicates that a final amount from Hydro One is still outstanding but the goal is to have the calculation finalized, agreed to and invoiced by Hydro One sometime before December 31, 2015.<sup>2</sup>
- Hydro One has provided three estimates to date: the original \$1,230,026 in December 2013; \$1,463,321 dated December 11, 2014 and the most recent draft calculation of \$932,094.<sup>3</sup>
- Festival requests that the Board allow Festival to maintain the original value of the PBA at \$1,230,026 in determining the 2016 rate riders and allow Festival to continue with the May 1, 2015 approved rate riders for the January 1, 2016 rate year. Festival submits that given there have been three widely varied amounts presented by Hydro One to date, it is still difficult to determine what the final amount will be and maintain the existing rate riders will provide stability of rates to customers as it relates to the collection of the PBA rate rider.
- If the May 1, 2015 rate riders are maintained throughout the 2016 rate year, over the 19 month period ending December 31, 2016 (June 2015 to December 2016), Festival will have collected approximately \$753,887. Festival's expectation is that there would still be a residual amount to collect in the 2017 rate year.
- VECC considers Hydro One's latest PBA estimate of \$932,094 to be the most accurate based on the inputs used to calculate the amount. The latest PBA amount is 24% less than the amount used to calculate the 2015 rate riders. VECC submits this variance is significant.
- VECC notes that the draft estimate will be adjusted as needed based on the final load data for the CDM/DG calculation and the final 2014 OPA results. In VECC's experience, final OPA results are typically very close to the OPA's preliminary results. VECC does not expect the latest estimate of \$932,094 to vary significantly based on the final OPA results.
- VECC does not support Festival's approach to continue with the May 1, 2015 rate riders in 2016 given the significant reduction in the latest estimate of the PBA. VECC submits \$932,094 should be used to calculate the 2016 rate riders. In VECC's view, if the latest estimate is used to calculate the 2016 PBA rate riders, the cost recovery over the last two years of the rate rider (2016 and 2017) will be more stable for customers.
- Festival further indicates that if it is permitted to maintain the original value at \$1,230,026 in determining the rate riders, it will request as part of the 2017 IRM application, an adjustment to the rate riders to either collect the remaining amount owing or to return over collected funds back to the customers.<sup>4</sup> VECC submits by using the latest estimate of \$932,094, which is based on the best information to date, the adjustment to the 2017 rate riders will likely be minimal and the probability of being in the undesirable situation of over collecting

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<sup>2</sup> VECC IR#1(c)

<sup>3</sup> Board Staff IR#6(d)

<sup>4</sup> VECC IR#1(d)

from customers in 2016, only to return over collected funds in 2017, is greatly reduced and likely avoided.

All of which is respectfully submitted this 2<sup>nd</sup> day of November 2015.