



November 16, 2015

Ontario Energy Board
2300 Yonge St. 27th Floor
Toronto, ON M4P 1E4

**Attention: Kirsten Walli
Board Secretary**

Dear Kirsten,

RE: Reply Submission related to Festival Hydro's 2016 IRM Rate Application (EB 2015-0069)

Enclosed please two copies of the Reply Submission related to Festival Hydro's 2016 IRM Application (EB-2015-0069). A copy of this document has been filed today via RESS.

Please contact me at 519-271-4703 ext. 268 if you have any questions regarding the information attached.

FESTIVAL HYDRO INC.

ORIGINAL SIGNED BY
DEBBIE REECE
Chief Financial Officer

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Festival Hydro
Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective
January 1, 2016.

**REPLY SUBMISSION OF THE APPLICANT,
FESTIVAL HYDRO INC.**

FESTIVAL HYDRO INC.

EB-2015-0069

**REPLY SUBMISSION OF THE APPLICANT,
FESTIVAL HYDRO INC.**

1. INTRODUCTION

Festival Hydro Inc. ("**Festival**") has applied to the Ontario Energy Board (the "**Board**") for rates commencing January 1, 2016 with an application that was assigned proceeding number EB-2015-0069 and was filed on August 17, 2015. The application is based on the 2016 Price Cap IR option.

This Reply Submission addresses the submissions of Board Staff and the Vulnerable Energy Consumers Coalition ("**VECC**").

Festival serves the communities of the City of Stratford, the towns of Seaforth, Brussels, Hensall, Zurich, Dashwood and St. Marys. Festival serves approximately 20,500 customers. .

The purpose of this document is to respond to Board Staff and VECC on the following matters.

Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates and Festival concurs that the OEB will update the applicable data at the time of the OEB's Decision based on the Uniform Transmission Rates in place at that time.

Tax Savings

OEB staff noted that the information included in this application was consistent with the OEB's cost of service decision for Festival in EB-2014-0073 and results in a tax sharing amount of \$0. Festival concurs with OEB staff and submits that no tax sharing should apply.

LRAMVA

As part of its 2015 COS application, Festival disposed of prior LRAM amounts to the end of 2013. In this application, Festival seeks to recover the lost revenues that have occurred in 2014 due to its implementation of CDM programs. This amount includes the new effects of CDM programs in 2014, as well as the persisting effects in 2014 of previously implemented CDM programs from 2011 to 2013, calculated by an independent third party. Festival's LRAM amount is based on the final 2014 CDM Results produced by the IESO.

Festival last rebased prior to EB-2014-0073 in 2010 and the forecast at that time that remained in place until 2015, did not include a specific CDM adjustment. Festival concurs with OEB staff that the full amount requested, \$155,879, should be recovered.

Allocation and Disposition of Deferral and Variance Accounts as per the Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report")

OEB staff submitted that they reviewed Festival's Group 1 Deferral and Variance Account balances and noted that the principal balances as of December 31, 2014 reconcile with the balances reported as part of the Reporting and Record-keeping Requirements and that the preset disposition threshold has been exceeded. As such the OEB staff has no issue with Festival's request to dispose of its 2014 Deferral and Variance Account balances at this time.

OEB staff reviewed in detail the increase in the Global Adjustment (GA) balance in 2014 over 2013. OEB staff submitted that they are satisfied that the 2014 variance between estimated and actual GA rates, coupled with the fact that 67% of Festival's consumption is attributable to industrial and commercial customers who pay GA separately, provides sufficient justification for the large GA account balance and OEB staff take no issue with the disposition of a debit amount of \$1,442,080 to all non-RPP customers.

OEB further reviewed Festival's request to dispose its GA balance to all non-RPP customers, including customers that transitioned into Class A on July 1, 2015. During the 2014 rate year, when the above-noted GA balance was accumulated, all of Festival's current Class A customers were classified as non-RPP Class B consumers. The requested rate rider would apply prospectively to all non-RPP customers and would include current Class A customers who were part of Class B as of December 31, 2014.

OEB staff support this approach as Festival's current Class A customers contributed to the GA sub-account balance requested for disposition, OEB staff is of the view that it is reasonable that these customers pay to dispose of it. Festival concurs with OEB staff.

Permanent Bypass Rate Rider

As part of Festival's 2015 COS proceeding, EB-2014-0073, the OEB directed Festival to collect an amount of \$1,230,026 over a 31 month period, from May 1, 2015 to December 31, 2017. This rate rider allows Festival to recover costs for a permanent bypass agreement related to a Hydro One Network Inc. (HONI) transformer station. The OEB also found in EB-2014-0073 that the permanent bypass agreement (PBA) rate rider will be approved on an interim basis, as the final invoiced amounts were not known at the time of the decision. It was the OEB's order that the amount would be true-up as part of Festival's 2016 IRM proceeding.

In this application, Festival requested to defer the true-up of this amount by one year until its 2017 IRM application given that no final invoice had been received prior to the application being filed. Festival also stated that HONI's revised draft calculation has reduced the expected overall amount owing to \$932,094.

Festival requests to maintain the original value of the permanent bypass agreement at \$1,230,026 and to continue with the current rate rider. Festival noted that by maintaining the existing PBA Festival will have collected approximately \$753,887 to December 31, 2016. This amount is below the current estimated total cost of \$932,094.

OEB staff submitted that during the 2017 rate year it is likely that a residual amount will be outstanding and that they agree in the absence of a final, invoiced amount the current rate rider should continue to allow for rate stability. OEB staff also submitted that a final true-up should be ordered for the 2017 IRM proceeding even in the absence of a final, invoiced amount in the interest of providing rate certainty on a matter which, by that time, will have persisted for 2 years without resolution for customers. Finally, OEB staff submitted that the current rate rider should continue to be an interim rate.

VECC submits that the variance between the \$1,230,026 estimate of the PBA cost to the revised estimate of \$932,094 is significant. VECC submits that the \$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. 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 from customers in 2016, only to return over collected funds in 2017, is greatly reduced and likely avoided.

Festival is in agreement with all OEB staff submissions on the PBA rate rider. 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 cost of the bypass will be. Maintaining the existing rate riders will provide stability of rates to customers as it relates to the collection of the PBA rate rider. Festival would like to reiterate that the amount collected to the end of 2016 at the current interim rate rider will be \$753,887 which is still less than the most recent estimate received from HONI for the PBA of \$932,094.

All of which is respectfully submitted this 16th day of November 2015.