



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

October 14, 2016

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-2016-0070 Festival Hydro Inc. 2017 Price Cap IR Application
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

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

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written in a cursive style.

Michael Janigan
Counsel for VECC

Cc: Festival Hydro Inc.

Festival Hydro Inc. (Festival)

**Application for electricity distribution rates and other charges
effective January 1, 2017.**

VECC Interrogatories

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

Permanent Bypass Agreement Rate Rider

VECC-1

Ref: Manager's Summary Page 10

Preamble: Festival confirms that at the time of filing of this application, the amount in question has been finalized with Hydro One at \$932,094.

- a) Please confirm the date when the amount was finalized with Hydro One.
- b) Please provide the final cost breakdown of the permanent bypass expenditure.
- c) Please confirm there are no variances to the estimate provided in EB-2015-0069 (Board Staff IR# 6(c)).

Earnings Performance in 2015

VECC-2

Ref: Manager's Summary Page 13

Preamble: Off-ramps: The evidence states Festival's 2015 ROE reported was in excess of the 300 basis points dead band and as such the expectation is that Festival must substantiate why we are applying for a rate increase. Festival notes that the disposal of the ICM rate rider was the major contributor to the overage. If the ICM revenues are removed, Festival's ROE for the year would be within the 300 basis point dead band. As such, Festival is applying for the approved adjustment to base rates.

- a) Please provide the Board Approved ROE compared to Festival's actual ROE for the years 2011 to 2015 and forecast for 2016.

- b) Please provide the underlying analysis to demonstrate how the ICM revenues contribute to the overage and the impact when the ICM revenues are removed.
- c) Please provide all of the over earning drivers.
- d) Please provide Festival's 2015 RRR 2.1.5.6 return on equity ("ROE") filing.
- e) Does Festival expect that the over-earning was a one-time occurrence or that it will continue?
- f) Please provide Festival's pro forma for the 2016 year illustrating the expected ROE for 2016.

VECC-3

Ref: Filing Requirements For Electricity Distribution Rate Applications, 2016 Edition for 2017 Rate Applications, Chapter 3 Incentive Regulation, July 14, 2016

Preamble: The Filing Requirements state: 3.3.5 Off-ramps "For each of the OEB's three rate-setting options, a regulatory review may be triggered if a distributor's earnings are outside of a dead band of +/- 300 basis points from the OEB approved return on equity. The OEB monitors results filed by distributors as part of their reporting and record-keeping requirements and determines if a regulatory review is warranted. Any such review will be prospective, and could result in modifications, termination or the continuation of the respective Price Cap IR or Annual IR Index plan for that distributor. A distributor whose earnings are in excess of the dead band is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan. If a distributor whose earnings are in excess of the deadband nevertheless applies for an increase to its base rates, the OEB expects it to substantiate its reasons for doing so. The applicant should anticipate that the level of earnings will be raised as an issue in the application. A distributor may choose to file only for disposition of Group 1 deferral and variance account balances in accordance with OEB policies, without applying for adjustments to its base rates."

- a) Please discuss if Festival considered filing only for disposition of Group 1 deferral and variance account balances in accordance with Board policies, without applying for adjustments to its base rates. If not, why not?
- b) Please discuss Festival's rationale for applying to adjust its base rates given its over-earnings in 2015.