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**BY EMAIL**

March 31, 2021

Scott Knapman  
Chief Executive Officer  
Festival Hydro Inc.  
P.O. Box 397  
Stratford, ON N5A 6T5  
[sknapman@festivalhydro.com](mailto:sknapman@festivalhydro.com)

Dear Mr. Knapman:

**Re: Application for 2022 Electricity Rates  
OEB File No. EB-2021-0024**

This letter is in response to your November 30, 2020 letter expressing an interest to defer Festival Hydro Inc.'s (Festival Hydro) rebasing of its rates beyond the 2022 rate year.

The OEB has reviewed the letter and based on Festival Hydro's 2019 performance and the continuing impact of COVID-19, the OEB is granting approval for Festival Hydro's request to defer its 2022 cost of service application.

Festival Hydro did not indicate that its request is reliant upon the availability of an Incremental Capital Module (ICM), as such the OEB expects that Festival Hydro will not file an ICM for the 2022 rate year.

This is the third consecutive year that Festival Hydro has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index (Annual IR Index) is the method that was developed for distributors intending longer periods without rebasing. Therefore, in the absence of a 2023 cost of service rate application from Festival Hydro, the OEB will move Festival Hydro from the Price Cap Rate-setting Index method to the Annual IR Index method.

If Festival Hydro intends to seek a rate adjustment for 2022 rates, the OEB expects Festival Hydro to adhere to the process for Price Cap Incentive Rate-setting applications for the 2022 rate year.

The OEB will be reviewing how deferrals are granted in the future, which may have an impact on the options available to distributors seeking subsequent deferral(s). The review will consider the availability of Incremental Capital Module, filing of a Distribution System Plan, and whether distributors would be moved from the Price Cap Incentive Rate-setting method to the Annual Incentive Rate-setting Index method for any deferral request.

Yours truly,

*Original Signed By*

Christine E. Long  
Registrar