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August 3, 2022

BY RESS & COURIER

Ms. Nancy Marconi, Registrar
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

**Re: EB-2022-0032
Festival Hydro Inc. 2023 Price Cap IR Application**

Dear Ms. Marconi,

Attached a copy of Festival Hydro's Application for Electricity and Distribution Rates and charges effective January 1, 2023. Our filing is due August 3, 2022.

The enclosure consists of the Manager's Summary, the 2023 IRM Rate Generator Model, the GA workform, as well as the LRAMVA work form.

The completed 2023 IRM Rate Application was submitted today via the Ontario Energy Board's RESS system.

If you have any questions please contact me at the number noted below or by email at jiles@festivalhydro.com.

Yours truly,
Festival Hydro Inc.

J. Iles, CPA, CA
Tel (519) 271-4703 x. 224

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 or Orders approving of fixing just and reasonable rates
and other charges for the distribution of electricity to be effective
January 1, 2023

Manager’s Summary

Introduction

Festival Hydro Inc. “(Festival)” hereby applies to the Ontario Energy Board (the “Board”) for an order or orders approving its proposed electricity distribution rates to be effective January 1, 2023, pursuant to Section 78 of the *Ontario Energy Board Act, 1998*.

The 2023 Price Cap IR Application has been completed in accordance with the updated guidelines of Chapter 3 of the *Board’s Filing Requirements for Electricity Distribution Rate Applications* dated May 24, 2022.

Festival Hydro has utilized the Excel Rate Generator model as provided by the Board.

Festival Hydro distributes electricity to approximately 20,000 customers residing in the City of Stratford, and the surrounding towns of St. Marys, Seaforth, Brussels, Dashwood, Hensall and Zurich.

Festival’s COS Application (EB-2014-0073) was filed for rates effective January 1, 2015, however the Decision and Order and Final rate order were not received until May 28, 2015 and June 4, 2015 respectively and as such the Decision and Order indicated:

“Festival confirmed its request for a rate year alignment to January 1 in its draft rate order. Festival noted that although the effective date of the Decision and Order for 2015 rates is May 1, 2015, it is Festival’s understanding that its rate year is now aligned with the fiscal year and that its next IRM Application will be filed for rates effective January 1, 2016.

The interveners concurred with Festival’s understanding. OEB staff noted that while the settlement agreement did not explicitly address this issue it was not identified as an unsettled issue.

OEB Findings

The OEB approves Festival’s request to align its rate year to January 1.”

January 1, 2023 Proposed Rate Adjustments

The January 1, 2023 proposed Tariff of Rates and Charges is presented in the attachments to this document. Festival seeks approval from the Board for a number of adjustments to its current rates which were approved effective January 1, 2022 (EB-2021-0024). It also seeks approval for the continuation of a number of existing rates and charges.

The requested adjustments\continuation\cessation of rates and charges are as follows:

1. Continuation of the current customer rate classes as approved in EB-2021-0024.
2. Approval of a price cap adjustment.
3. Proposed adjustments to the existing retail transmission service rates (RTSR) as calculated in the RTSR Adjustment Worksheets.
4. The continuation of the existing Rate Rider for the Smart Meter Entity Charge, Low Voltage Service Rates, Specific Service Charges, Retail Service Charges, Loss Factors, Transformer & Primary Metering Allowances.
5. Establishment of 2023 rate riders for dispositions of Global Adjustment, Group 1 DVA accounts, LRAMVA.
6. Establish adjustments for Class A customers for Global Adjustment.
7. Establish a Foregone Revenue Rate Rider in the event the Board is unable to provide a decision and order for rates effective January 1, 2023.

Details to support the requested adjustments are provided in the Board 2023 IRM rate generator model.

Supporting Documentation for Factors Impacting Proposed Rate Adjustments

Outlined below are the factors taken into consideration when determining the rate adjustments for which Festival Hydro is seeking approval effective January 1, 2023.

1. Price Cap Index Adjustment

Festival has used the 2023 IRM Rate Generator Model to calculate an interim price cap adjustment base, which for Festival results in a net increase of 3.30% calculated as follows:

Inflation Factor (GDP-IPI)	3.30%
Less: Productivity Factor	(0%)
Less: Stretch Factor	(0.30%)
Interim Price Cap Adj.	3.00%

Festival understands that the Board will update the price escalator in the Rate Generator model once the Board has established the final inflation factor to be applied to distributors for 2023.

2. Changes in the Federal and Provincial Income Tax Rates

The Board previously determined that the impact of currently known tax changes should be reflected in rates using a 50/50 sharing model.

The 2023 statutory tax rate is expected to remain at 26.5% and therefore there is no rate differential or annual amount to be retained by Festival.

3. Revenue to Cost Ratios Adjustments

As part of Festival's 2015 Rate Application, EB- 2014-0073, all revenue to cost ratio adjustments, including harmonization of the residential rate class and the Hensall rate class, were agreed to as part of the partial settlement agreement dated October 23, 2014.

On April 2, 2015, the OEB released its Board Policy: A New Distribution Rate Design for Residential Electricity Customers (EB-2014-0210), which stated that electricity distributors will transition to a fully fixed monthly distribution service charge for residential customers over a four-year period beginning in 2016.

Tab 16 of Festival's 2023 IRM rate generator model calculates an increase of the existing monthly fixed charges by the Price Cap Index of 3.00% for all rate classes. These adjustments ensure Festival is in compliance with the Board's policy in EB-2014-0210. Effective January 1, 2019 (EB-2018-0032) Festival moved to a 100% fixed rate for residential customers.

Festival requests that the Board approve the adjustments to the fixed and variable charges as identified above and in the 2023 Price Cap IR Model. Festival does not request any further revenue to cost ratio adjustments as part of this Application.

4. Deferral and Variance Account Rate Riders

Festival is requesting the disposition of Group 1 Deferral and Variance Accounts, as outlined in the detail below:

Group 1 Deferral and Variance Accounts

The report of the Board *Electricity Distributor's Deferral and Variance Account Review Report* (the EDDVAR Report) provides that during the IRM period, a distributor's Group 1 audited account balances will be reviewed and disposed if

the pre-set disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. Consistent with a letter from the OEB on July 25, 2014, distributors may now elect to dispose of Group 1 account balances below the threshold.

As calculated on Tab 4 in the 2023 Price Cap IR Rate Generator Model, Festival's net amount being requested for disposition totals \$1,719,996 for Group 1 Deferral and Variance Accounts, consisting of \$1,353,461 in Global Adjustment (GA) recovery (as described below) and \$366,535 of Group 1 recovery.

According to the model, the \$1,719,996 Group 1 meets the threshold test as it results in a claim per kWh of more than \$0.001 at \$0.0029. As such, Festival would like to dispose of these balances similar to prior years as a means of keeping rates as consistent as possible.

Projected interest for 2022 in the continuity schedule (Tab 3) has been calculated using the current prescribed rates of 0.57% for Jan 1 – Mar 31, 1.02% for Apr 1 – June 30, and 2.2% for July 1 – Dec 31.

All December 31, 2021 ending principal and interest balances have been balanced and agree to Festival's RRR 2.1.7 reporting, with the exception of the following:

- Account 1595 (2018) does not agree to the 2021 RRR filing as an input error on the RRR resulted in the 2018 balance being reported in the 2017 balance cell. If not for this error, there would be no variance.
- Account 1568, as noted below, has been adjusted in the continuity from what was filed in the 2021 RRR filing based on the final LRAMVA model prepared as part of this Application.

Disposition of Global Adjustment

The amount being requested for disposition of the Global Adjustment to December 31, 2021 as part of Festival's 2023 IRM Application totals \$1,353,461.

Certification of Evidence

Festival notes that there are sound processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed.

Festival also implemented changes to its processes for settlement with the IESO and the booking of unbilled revenues as part of the findings in the OEB audit report dated June 5, 2017.

On February 21, 2019, the board released new accounting guidance related to accounts 1588 RSVA power and 1589 RSVA Global Adjustment. Festival

reviewed its settlement processes and how balances in 1588 and 1589 are produced. The only item identified requiring adjustment was in 2017 to true-up the HOEP price to actual. This resulted in a 2017 adjustment of \$75,170 to account 1588 and is reflected as a principle adjustment in the continuity schedule of 2021 IRM rate generator model. Festival posted a journal entry for this adjustment in 2019. Festival has fully implemented the OEB's February 21, 2019 guidance effective January 1, 2019.

In addition, Festival had a principle adjustment due to a formula error whereby beginning in settlement for January 1, 2018, the net system load rate was being added to the embedded generation contract rate versus being netted against it. This resulted in a 2018 adjustment of \$162,961 to account 1588 and is reflected as a principle and interest adjustment in the continuity schedule of the 2021 IRM rate generator model. The adjustment was produced by recalculating embedded generation settlement and true-ups within 2018. Festival posted a journal entry for this adjustment in 2019. Festival had no other prior year adjustments identified from this review.

Class A Customer Information

Effective July 1, 2015, Festival had four customers who were participating in the Industrial Conservation Initiative (ICI) (i.e. each over three megawatts but less than five). Effective July 1, 2017 Festival had an additional 18 customers, effective July 1, 2018 an additional four customers and effective July 1, 2019 an additional one customer offset by one less customer. For the effective date July 1, 2020 Festival had two new participants and two participants leave the ICI program. For the effective date July 1, 2021 Festival had two new participants and two participants leave the ICI program.

For the 2023 IRM year, the two new ICI customers will pay monthly equal payments of their portion of Global Adjustment for the period of time they were class B customers in 2021. These monthly payments have been calculated in tab 6.1a of the 2023 IRM model.

Disposition of WMS – Sub Account CBRE Class B

Festival notes that because it had two new class A customer and two customer leave class A from July 1 2020 to December 31, 2020 the balance of this sub account must be disposed of.

In the 2023 IRM model in tab 6.2a the CBR Class B rate rider does not round to zero at the fourth decimal place and therefore the balance is not transferred to account 1580 WMS to be disposed through the Group 1 rate rider.

Disposition of Lost Revenue Adjustment Mechanism (LRAMVA)

Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their IRM rate Applications, if the balance is deemed significant by the applicant.

As noted in Festival's 2015 COS Application (Exhibit 9, Tab 3, Such 10), "*None of the load reductions arising from the OPA contracted province wide CDM programs for 2011 through to 2014 were factored into Festival's 2010 load forecast. The 2015 COS load forecast reflects the full impact of the 2011 to 2014 results*". Festival's Appendix 2-I Load Forecast CDM Adjustment Work form is included in the appendices of this Application. Since the 2015 results were factored into the 2015 COS Application forecast, there are class-specific adjustments used in the 2016 calculation as documented in the LRAMVA work form.

An assessment has been completed for 2022 based on Retrofit Front End Settlement submissions. The LRAMVA claim for 2021 - 2022 is \$482,467. The balance reported for LRAM in Festival's RRR filing included an accrual for 2022 LRAM, the approved 2021 LRAM claim. The total LRAM-eligible amounts from the prospective disposition (annual amounts to be recovered in future rate applications for the 2023 – 2027 persisting savings, as calculated by the LRAMVA Workform is \$1,012,238. This amount will be accounted for in a true-up which will be done with our next cost of service filing.

Festival obtained the assistance of a third party to calculate the lost revenues resulting from participation in the contracted Province Wide CDM Programs. In accordance with the Filing Requirements Festival confirms the following:

- Festival has used the most recent input assumptions available at the time of time of program evaluation when calculating the lost revenue amount
- Festival has relied on the most recent and appropriate CDM evaluation report from the IESO in support of its lost revenue calculation.
- Festival has followed OEB revised direction for Chapter 3 Filing Requirements resulting from discontinuance of the Conservation First Framework
- The data provided includes separate tables for each rate class showing the lost revenue amounts requested by the year they are associated with, as well as a list of all the CDM programs applicable to each rate class and their energy (kWh) and demand (kW) savings.
- Carrying charges have been applied, calculated using the current prescribed rates.
- There were no OEB approved programs delivered by Festival Hydro.

The claim amount has been included in Tab 3 DVA Continuity Schedule. Festival requests the disposition of this amount as part of this Application.

Festival proposes that the new deferral and variance rate riders as calculated in tab 7 of the model be approved.

5. Transmission Network and Connection Rate (RTSR) Adjustments

Festival has followed *Guideline G-2008-0001 – Electricity Distribution Retail Transmission Service Rates – version 4.0* when completing the Board’s supplied 2023 Price Cap IR Rate Generator model. Festival requests that the proposed adjustments in tab 15 of the model be approved by the Board, with the understanding that the Uniform Transmission rates (RSTRs) used in the IRM Work form may be subject to update by the Board in the event the Uniform Transmission Rates are changed.

The dollar amounts for Network and Connection Charges in the model are the same as reported in the December 31, 2021 balances for USoA account # 4714 and 4716.

6. Outstanding Board Directives

Festival filed a Cost of Service “(COS)” rate Application effective May 1, 2015 (EB-2014-0073), resulting in rates being approved by the Board and implemented as of that date. Festival has complied with all of the Board Findings and Directives as presented in the Decision and Order issued May 28, 2015.

7. Continuation and Cessation of Rates and Charges approved effective January 1, 2022 under EB-2021-0024

Festival requests the Board’s approval for the continuation and cessation of the following rates and service charges, as approved as part of EB-2021-0024. Festival has reviewed these rates and charges as part of the 2023 IRM Application.

Festival determined there is no need to request a change at this time for the following rates. These rates have been used in preparation of the 2023 IRM Rate Generator model.

- Low Voltage Service Rate
- MicroFit Generation Service Charge of \$4.55 monthly
- Standard Supply Administration Charge of \$0.25
- Specific Service Charges (excluding collection of account charge and install/remove load control device charge)
- Retail Service Charges
- Loss Factors
- Transformer and Primary Metering Allowances

8. Proposed Rates and Rate Tariff Sheet

Festival requests the Board approve the Monthly Rates and Charges to be effective January 1, 2023, as set out on the attached Tariff of Rates and Charges Sheet, as determined in the IRM Rate Generator Model Tab 19 Final Tariff Schedule, subject to changes to the model as identified by the Board.

Festival also requests a Foregone Revenue Rate Rider be approved by the Board in the event the Board is unable to provide a decision and order for rates effective January 1, 2023.

9. Bill Impact Analysis

The final tab of the 2023 Price Cap IR Rate Generator model (tab 20) includes a table of bill impacts for all classes as prescribed in the filing requirements as well as any other relevant classes to Festival's customer base.

There are no rate classes showing a bill impact of greater than 10%.

The change in the RTSR rates seen in the residential, GS<50, GS>50, unmetered scattered load, sentinel lighting, and street lighting rate classes are due to the IESO and Hydro One RTSR rate changes which are outlined on tab 11 of the IRM rate generator model.

10. Off-ramps

Festival's 2021 ROE reported was not in excess of the 300 basis points dead band. As such, Festival is applying for the approved increase to base rates effective January 1, 2023.

11. Accuracy of pre-populated models

Festival has reviewed and agrees the pre-populated models utilized as part of this Application are accurate.

Festival submits to the Board that the adjustments to electricity rates and charges as presented in the 2023 IRM Rate Application EB-2022-0032 are fair and just rates. The enclosed is respectfully submitted for the Board's consideration.

Yours truly,
Festival Hydro Inc.

J. Iles, CPA, CA
Finance and Regulatory Manager
www.festivalhydro.com

Attachments:

- A- 2022 Final tariff sheet (PDF)
- B - 2023 Price Cap IR Rate Generator Model (excel version only)
- C - LRAMVA work form (excel version only)
- D - OEB Appendix 2-I from Festivals' 2015 COS filing (EB-201400073) (excel version only)
- E - 2023 GA Analysis Work Form (excel version only)
- F – 2023 IRM Checklist (excel version only)