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August 17, 2023

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-2023-0021
Festival Hydro Inc. 2024 Annual IR Application

Dear Ms. Marconi,

Attached a copy of Festival Hydro Inc's (FHI) Application for Electricity and Distribution Rates and charges effective January 1, 2024. FHI's filing is due August 17, 2023.

The enclosure consists of the Manager's Summary, the 2024 IRM Rate Generator Model and the GA work form.

The completed 2024 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

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, 2024

Manager's Summary

Introduction

Festival Hydro Inc. "(FHI)" 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, 2024, pursuant to Section 78 of the *Ontario Energy Board Act, 1998*.

The 2024 Annual 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 *June 15, 2023*.

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

FHI distributes electricity to approximately 22,000 customers residing in the City of Stratford, and the surrounding towns of St. Marys, Seaforth, Brussels, Dashwood, Hensall and Zurich.

FHI'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, 2024 Proposed Rate Adjustments

The January 1, 2024 proposed Tariff of Rates and Charges is presented in the attachments to this document. FHI seeks approval from the Board for a number of adjustments to its current rates which were approved effective January 1, 2023 (EB-2022-0032). 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-2022-0032.

2. Approval of an annual 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, Specific Service Charges, Retail Service Charges, Loss Factors, Transformer & Primary Metering Allowances.

5. Establishment of 2024 rate riders for dispositions of Global Adjustment, Group 1 DVA accounts, LRAMVA, and Low Voltage Service Rates.

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, 2024.

Details to support the requested adjustments are provided in the Board 2024 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 FHI is seeking approval effective January 1, 2024.

1. ***Annual Index Adjustment***

FHI has used the 2024 IRM Rate Generator Model to calculate an annual adjustment base, which for FHI results in a net increase of 4.20% calculated as follows:

Inflation Factor (GDP-IPI)	4.80%
Less: Productivity Factor	(0%)
Less: Stretch Factor	(0.60%)
Interim Price Cap Adj.	4.20%

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 2024 statutory tax rate is expected to remain at 26.5% and therefore there is no rate differential or annual amount to be retained by FHI.

3. ***Revenue to Cost Ratios Adjustments***

As part of FHI'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 17 of FHI's 2024 IRM rate generator model calculates an increase of the existing monthly fixed charges by the Annual Index of 4.20% for all rate classes. These adjustments ensure FHI is in compliance with the Board's policy in EB-2014-0210. Effective January 1, 2019 (EB-2018-0032) FHI moved to a 100% fixed rate for residential customers.

FHI requests that the Board approve the adjustments to the fixed and variable charges as identified above and in the 2024 IRM Rate Generator Model. FHI does not request any further revenue to cost ratio adjustments as part of this Application.

4. ***Deferral and Variance Account Rate Riders***

FHI 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 2024 Annual IR Rate Generator Model, FHI's net amount being requested for disposition totals $3,119,339 for Group 1 Deferral and Variance Accounts, consisting of $1,018,793 in Global Adjustment (GA) recovery (as described below) and $2,100,546 of Group 1 recovery.

According to the model, the $3,119,339 Group 1 meets the threshold test as it results in a claim per kWh of more than $0.001 at $0.0051. As such, FHI would like to dispose of these balances similar to prior years as a means of keeping rates as consistent as possible.

Projected interest for 2023 in the continuity schedule (Tab 3) has been calculated using the current prescribed rates of 4.73% for Jan 1 – Mar 31, and 4.98% for Apr 1 – Dec 31.

All December 31, 2022 ending principal and interest balances have been balanced and agree to FHI's RRR 2.1.7 reporting, with the exception of the following:

- Account 1580 (RSVA – Wholesale Market Service Charge) does not agree to the 2022 RRR filing because the filing includes the ($78,887) for the Sub-account CBR Class B of 1580. If these two accounts are combined, there would be no variance.
- Account 1568, as noted below, has been adjusted in the continuity from what was filed in the 2022 RRR filing based on the final LRAMVA model prepared as part of FHI's 2023 IRM Application. The resulting variance is due to the LRAMVA claim amount from the previous Application not being recorded in FHI's GL until January 2023 to coincide with the rate rider inclusion. This variance will be included in 2023 internal financial statements.
- There is a variance of $19 in Account 1509. Given the small amount for the account, FHI has made a principal adjustment in 2022 to remove this amount from the claim total as FHI will adjust this immaterial balance in 2023's internal financial statements.
- There are two variances in the 1588/1589 rows of $201,494 and ($93,062), respectively. The differences net to $108,432, which is an amount owing to the IESO. These are the results of a thorough investigation into FHI's Global Adjustment account balances. The resulting amounts that produced these variances are detailed in the next section. These variances have been corrected in fiscal 2023.

Disposition of Global Adjustment

The amount being requested for disposition of the Global Adjustment to December 31, 2022 as part of FHI's 2024 IRM Application totals $1,018,793. The Global Adjustment balance has not been cleared since fiscal 2019 due to unexplained variances in the account balance. In FHI's 2023's Decision and Rate Order (EB-2022-0032) it was noted that "Festival Hydro stated that due to timing and staffing constraints, it will withdraw the request for disposition of the accounts in this proceeding, will engage third party assistance, and will look for final disposition in its 2024 rate application." The OEB responded that "Festival Hydro shall review the variances in those accounts and bring forth the results of that review, including any necessary adjustments made, as part of its 2024 rates proceeding." In 2022, FHI searched for a third-party expert to carry out an investigation into the unknown balances, but was unable to find a knowledgeable third party. In early 2023, FHI engaged in a shared service with a neighboring utility for a regulatory resource and was able to carry out a detailed review of 1588 and 1589.The review resulted in several variances found, mostly misallocated amounts between accounts 1588 and 1589.

For 2021, there was an error in FHI's May 2023 2nd True-up settlement worksheet that included a duplication of FHI's February 2021 Non-RPP consumption volume. This effectively doubled the Non-RPP amount reported in that month. This error resulted in two separate variances that are both accounted for in the principal adjustments in the continuity schedule for 2021 discussed below.

The first 2021 variance caused by the Non-RPP reporting error was a misallocation of CT 148 between the RPP and Non-RPP accounts. The resulting misallocation is a variance of $454,599 that was debited into 1589 instead of 1588. The correction moves the amount between these accounts and has a net $0 effect on the overall claim. FHI also identified a duplication error in the reporting of FHI's RPP and Non-RPP consumption volumes that were submitted for the 2021 RRR. A revision of the 2021 RRR, specifically the 2.1.5 schedule, will be made at the same time as this submission. The GA Analysis workform has already been manually updated to reflect the changes that will come through on the revised RRR submission.

The other 2021 variance is also a result of the above Non-RPP reporting error. Due to the inclusion of the error in FHI's settlement calculation, it was determined that FHI has underpaid the IESO $108,432. FHI will make the necessary correction for the error as part of the approval of this Application through settlement.

Lastly, FHI discovered and corrected a misallocation within FHI's GL regarding the recording of the GA Deferral that originally occurred during the April – June period of 2020. The amount of $547,661 is misallocated and it's balance was included, in error, within the 1589 accounts instead of 1588. A correcting entry was recorded in2022's financial statements. Since this is a correction of a misallocation between the two accounts, the net effect on the overall claim is $0.

After the detailed review of 1588 and 1589, FHI is requesting disposal of both accounts. The total cumulative unexplained variance of 1588 over the three years is -0.1%. The total cumulative unexplained variance of 1589 over the three years is 0.5%. It is noted that the issues found occurred early in the transition to the new accounting guidelines. FHI continues to improve internal processes and procedures to ensure 1588/89 settlements are accurate and in compliance with OEB's accounting guidance.

Clarifying Comment on Reconciling Adjustment for 1589 Workform in 2020

The reconciling items included in the GA Workform for 2020 relate to the impacts of the GA Deferral that occurred during April – June of that year. The treatment of the reconciliation in this manner is in line with the guidance provided in a webinar presented by the OEB, "Supporting Workforms for 2022 Rate Applications". Slide 29 of the presentation detailed how to reconcile the impacts of the GA Deferral for the GA Analysis.

Low Voltage Service Rate

As part of the 2024 IRM filing requirements, FHI is requesting approval to update the Low Voltage (LV) service rates that FHI charges customers. FHI has included the necessary information on tabs 16.1 and 16.2 in the 2024 IRM Rate Generator Model.

As part of FHI's request, the actual Low Voltage costs for the last five years are presented below along with the year-over-year variances. There was a substantial change starting in August 2019 with the introduction of a Volumetric Rate Rider charged by Hydro One, our host distributor. Another substantive increase in 2020, as this was the first full year the Volumetric Rate Rider applied. Finally, a substantive decrease is noted in 2022, when the Volumetric Rate Rider decreased by approximately 43% starting in January of 2022. Other causes of year-over-year changes stem from inflation rates of existing service rates and some variances in overall consumption, but these factors were not significant compared to the overall effect of the Volumetric Rate Rider.

2018	2019	2020	2021	2022
$233,372	$289,104	$364,763	$374,874	$301,407
	24%	26%	3%	-20%

Class A Customer Information

Effective July 1, 2015, FHI 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, FHI 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, FHI had two new participants and two participants leave the ICI program. For the effective date July 1, 2021, FHI had one new participant, and two returning participants join the ICI program. For the effective date July 1, 2022, FHI had one participant leave the ICI program.

For the 2024 IRM year, the joining ICI customers will pay monthly equal payments of their portion of Global Adjustment for the period of time they were class B customers in 2020-2022. These monthly payments have been calculated in tab 6.1a of the 2024 IRM model.

Disposition of WMS – Sub Account CBRE Class B

FHI notes that because it had a customer leave class A from July 1 2022 to December 31, 2022 the balance of this sub account must be disposed of.

In the 2024 IRM model in tab 6.2a the CBR Class B rate rider rounds to zero at the fourth decimal place and therefore the balance will transfer to account 1580 WMS to be disposed through the Group 1 DVA rate riders.

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 FHI'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".*

As part of FHI's previous Application, EB-2022-0032, an assessment was completed for 2022 based on Retrofit Front End Settlement submissions. 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 2023 LRAMVA Work form was $1,012,238). This amount will be accounted for in a true-up which will be done with FHI's next cost of service filing.

The OEB approved the LRAM-eligible amounts for the years 2023 – 2027, summarized in Table 7.2 of the Decision and Rate Order, confirming that the approved amount of $218,650 (in 2022 $) for 2024 be adjusted mechanistically by the approved inflation minus X factors applicable to IRM applications in effect for a given year. This inflation amount adjusts FHI's LRAM-Eligible amount for 2024 from $218,650 to $234,896.

FHI proposes that the new deferral and variance rate riders for 2024 as calculated in tab 7 of the model be approved. FHI is not proposing any additional LRAMVA approvals beyond what was approved in the 2023 IRM Application.

5. ***Transmission Network and Connection Rate (RTSR) Adjustments***

FHI has followed *Guideline G-2008-0001 – Electricity Distribution Retail Transmission Service Rates – version 4.0* when completing the Board's supplied 2024 Annual IR Rate Generator model. FHI 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, 2022 balances for USoA account # 4714 and 4716.

6. ***Outstanding Board Directives***

FHI 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. FHI 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, 2023 under EB-2022-0032***

FHI requests the Board's approval for the continuation and cessation of the following rates and service charges, as approved as part of EB-2022-0032. FHI has reviewed these rates and charges as part of the 2024 IRM Application.

FHI 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 2024 IRM Rate Generator model.

- 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***

FHI requests the Board approve the Monthly Rates and Charges to be effective January 1, 2024, as set out on the attached Tariff of Rates and Charges Sheet, as determined in the IRM Rate Generator Model Tab 20 Final Tariff Schedule, subject to changes to the model as identified by the Board.

FHI 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, 2024.

9. ***Bill Impact Analysis***

The final tab of the 2024 Annual 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 FHI's customer base. All rate classes will be affected by this Application.

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***

FHI's 2022 ROE reported was not in excess of the 300 basis points dead band. As such, FHI is applying for the approved increase to base rates effective January 1, 2024.

11. ***Accuracy of pre-populated models***

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

12. ***Application Access***

As required in the filing requirements, FHI will post its Application for viewing at https://www.festivalhydro.com/about-us/regulatory-documents.

13. Certification

I, Alyson Conrad, CFO certify that the evidence filed, including the models and appendices, is accurate, consistent and complete to the best of my knowledge. I also certify that FHI has processes and internal controls in place for the preparation, review, verification and oversight of account balances being disposed. Lastly, I certify that this Application is free from disclosing personal information.

Alyson Conrad
______________________________Alyson Conrad, CFO

FHI submits to the Board that the adjustments to electricity rates and charges as presented in the 2024 IRM Rate Application EB-2023-0021 are fair and just rates. The enclosed is respectfully submitted for the Board's consideration.

Yours truly,
Festival Hydro Inc.

J. Iles

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

Attachments:

- A- 2023 Final tariff sheet (PDF)
- B - 2024 Annual IR Rate Generator Model (excel version only)
- C - LRAMVA Eligible Rate Rider Calculation (excel version only)
- D - 2024 GA Analysis Work Form (excel version only)
- E– 2024 IRM Checklist (excel version only)