

**ONTARIO ENERGY BOARD**

**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. (Festival Hydro or FHI) under section 78 of the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2025.

**INTERROGATORIES**

**ON BEHALF OF THE**

**SCHOOL ENERGY COALITION**

**1-SEC-1**

[Ex. 1, p. 7] Festival Hydro’s last rebasing application was for 2015 rates. In its deferral requests for 2020, 2021, 2022 and 2023 (2 years), it noted the following reasons for deferring:

- Good performance in terms of ROE, reliability and costs
- Adding a large new customer in 2018 for at least 3 years

Please provide an update on the large customer added in 2018, including what class they were in, total billing demand kW for each year, dates of operation and whether they are still a customer.

**1-SEC-2**

[Ex. 1] Please provide all material provided to Festival Hydro’s Board of Directors regarding its approval of this Application, and the underlying budgets.

**1-SEC-3**

[Ex. 1] Please provide copies of all benchmarking studies, reports, and analyses that Festival Hydro has undertaken or participated in since the filing of its last rebasing application in 2015, that are not already included in the Application.

**1-SEC-4**

[Ex. 1, Attachment 1-11, p. 6] Festival Hydro’s Business Plan states that because its last Cost of Service application was in 2015 “there were several systems, tools and building needs that were not invested in. The system applications do not meet the needs of FHI, and some are obsolete and are no longer being supported. The building required significant upgrades to allow for an appropriate employee work environment.”

- a. Please explain why Festival Hydro did not make these required investments during the deferred rebasing period.
- b. When was the Business Plan developed?

- c. Please provide any minutes or notes from Festival Hydro's Board of Directors when it has discussed and/or approved the Business Plan.

### **1-SEC-5**

[Ex. 1] Please provide details of all productivity and efficiency measures Festival Hydro has undertaken over the last five years, and any it plans to undertake in the test year and subsequent four years. Please quantify the forecasted savings and explain how they were calculated.

### **1-SEC-6**

[Ex. 1, Scorecard] Please file on the record Festival Hydro's preliminary scorecard for 2023.

### **1-SEC-7**

[Ex. 1, 2023 Financial Statements and Appendix 2-N]

- a. Please reconcile the #s shown in 2-N for 2023 Shared Services with Festival Hydro Services Inc. with the Revenue and Expenses shown under Related party transactions in the 2023 Financial Statements, p.34.
- b. Please reconcile the #s shown in 2-N for 2023 Corporate Cost Allocation to the City of Stratford with the Revenue and Expenses shown under Related party transactions in the 2023 Financial Statements, p. 33.

### **1-SEC-8**

[Ex. 1, p. 24, Figure 1-2, Attachment 1-15 and Appendix 2-K]

- a. Festival Hydro states that FHI and FHSI (the affiliate) have the same President and CEO. How is this person's time divided between the two entities?
- b. How does Festival Hydro ensure that the interests of the LDC and its ratepayers are protected with respect to purchasing services from the affiliate?
- c. Figure 1-2 shows 42 positions and Attachment 1-15 shows 43, including a new billing coordinator, not including the contract positions. Please reconcile these totals with the 45 FTEs shown in Appendix 2-K.
- d. Please confirm that all 45 FTEs included in Appendix 2-K are employees of the regulated company Festival Hydro, some of whom do work for the affiliate.

### **2-SEC-9**

[Ex. 2, Table 2.12, Appendices 2-AA, 2-AB and 2-BA]

- a. Please update Table 2-AA and 2-AB showing actuals to date for 2024 and an updated forecast for 2024 and 2025 if required.
- b. If the forecast for either year changes, please update 2-BA.
- c. Please provide actuals for 2022 and 2023 to the same date as provided in part a.
- d. Please provide the source for the planned amounts for 2020 to 2024 (e.g. internal budget documents).

### **2-SEC-10**

[Ex. 2, Distribution System Plan (DSP), Table 5.3-7]

- a. Please file on the record of this proceeding a copy of the DSP filed as part of Festival Hydro’s 2015 rate application. (Note: It is sufficient for the Applicant to simply agree to deem the EB-2014-0073 DSP on the record for this proceeding and provide a link to the OEB’s Regulatory Document Search, as opposed to re-filing.)
- b. Did Festival Hydro prepare any DSPs between rebasing applications? If so, please provide copies.
- c. If not, please provide the planning documents prepared for the capital budget forecasts for 2020 to 2024.
- d. For each asset category shown in Table 5.3-7, please provide the number of assets replaced or forecast to be replaced, for each year between 2022 and 2029.

**2-SEC-11**

[Ex. 2, DSP, Appendix J Asset Condition Assessment (ACA), Table 1] Please provide a revised version of Table 1 results, removing the age limiter component to the Health Index calculation. Please also provide a copy of any additional ACAs done between rebasing applications.

**2-SEC-12**

[Ex. 2, p. 5 and Appendix 2-BA] Festival Hydro states ‘In most cases, capital expenditures are equivalent to in-service additions except for large software system additions which spanned two years: SmartMAP in years 2022 and 2023, Customer Information System (CIS) and AMI 2.0 in years 2023 and 2024, and Enterprise Resource Planning System (ERP) in years 2024 and 2025’. No construction work in progress is shown in Appendix 2-BA for 2024 and 2025.

- a. Please provide the following information and add columns if required:

| Project \$k | 2022 Capex | 2022 ISAs | 2023 Capex | 2023 ISAs | 2024 Capex | 2024 ISAs | 2025 Capex | 2025 ISAs |
|-------------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|
| SmartMAP    |            |           |            |           |            |           |            |           |
| CIS         |            |           |            |           |            |           |            |           |
| AMI 2.0     |            |           | 96.5       |           | 200        |           | 1,316      |           |
| ERP         |            |           |            |           | 875        |           | 875        |           |

- b. Please confirm that there are no other projects for which Capex in a year is not equal to In-service Additions (ISAs).
- c. Please provide a copy of 2-AB using ISAs.
- d. Please provide the USoA account used for each of the above software programs.

**2-SEC-13**

[Ex. 2, Appendix 2-AA and DSP Material Investment Narrative Overhead Pole-Line Replacement]

- a. Please provide further details on the 75% increase in OH Renewal from an average of \$591k 2020-2024 to \$1,031k 2025-2029.
- b. Please provide the number of poles replaced each year between 2015 and 2023 and planned for 2024 to 2029.

**2-SEC-14**

[Ex. 2, Appendix 2-AA] The average percentage of Capital Contributions for System Access (not including AMI 2.0) for 2015 to 2023 is 42%. Please explain why this percentage has dropped to 22% for 2024, 30% in 2025 and an average of 35% for 2026 to 2029.

**2-SEC-15**

[Ex. 2, pdf p. 310, DSP, Material Investment Narrative Underground Renewal]

- a. How many km of underground cable was replaced in each year between 2015 and 2023?
- b. Please provide the km of underground cable to be replaced in each of 2024 to 2029.
- c. Please explain the increase in cost/km of cable in 2023.

**2-SEC-16**

[Ex. 2, pdf p. 339, DSP, Material Investment Narrative Buildings]

- a. Based on the list provided in the Material Investment Narrative, please provide an update on the status of the planned work on the buildings for 2024.
- b. Please break down the 2024 budget by each of the planned items.
- c. For the list of work in 2025, please break down the budget for each item.

**2-SEC-17**

[Ex. 2, pdf p. 347, DSP, Material Investment Narrative Fleet]

Please provide an update on the purchase of the single bucket truck in 2024. When is the scheduled delivery?

**2-SEC-18**

[Ex. 2, pdf p. 366, DSP, Material Investment Narrative Enterprise Resource Planning Software Upgrade]

- a. What is the status of the procurement of the ERP?
- b. Did Festival Hydro explore a cloud-based solution for the ERP? If so, what was the result? If not, why not?
- c. In Exhibit 4, page 21 shows a \$162k increase in OM&A, and includes additional costs for Service related to the planned ERP software. Please explain this in relation to the procurement of the ERP capital asset.

**2-SEC-19**

[Ex. 2, Appendix 2-AB, 2-D and 2-K]

|                                   | 2015 actual | 2025 application | Source              |
|-----------------------------------|-------------|------------------|---------------------|
| Total FTEs                        | 43          | 45               | 2-K                 |
| Total Capex \$                    | 2,975,427   | 7,409,350        | 2-AA                |
| Capital Allocated Compensation \$ | 568,158     | 499,260          | 2-K                 |
| Allocated % of Compensation       | 12.7%       | 7.6%             | Calculated from 2-K |
| Allocated OM&A \$                 | 963,420     | 1,281,468        | 2-D                 |
| Allocated % of OM&A               | 15%         | 12%              | 2-D                 |

- a. Please explain why Festival Hydro's total Capex increased from 2015 to 2025 by 2.5 times, yet the percentage of allocated compensation has decreased.
- b. Please explain why the percentage of OM&A allocated to capital has decreased from 15% to 12%.

### **3-SEC-20**

[Ex. 3, Tables 3-10 and 3-13] Table 3-10 shows 2023 Actual Annual Usage per Customer and Table 3-11 shows the forecast using Table 3-10, however it appears the numbers in Table 3-11 are not shown for the correct class. Please update as required.

### **3-SEC-21**

[Ex. 3, Appendix 2-IB and Ex. 2, DSP, p.51] Page 51 of the DSP outlines the adjustments Festival Hydro has made due to the electrification of transportation for the purpose of asset planning. Exhibit 3 does not mention the electrification of transportation with respect to the load forecast.

- a. Please explain what, if any, adjustments were made to the billing determinates for 2025 to reflect electrification of transportation.
- b. If the response to a. is no adjustments are included, please propose an adjustment that is in keeping with the adjustment in the DSP.

### **3-SEC-22**

[Ex. 3, p. 3] Please provide an update on customer numbers to date for 2024, for each class.

### **3-SEC-23**

[Ex. 3, p. 20 and FHI\_2025\_Load\_Forecast\_Model\_20240426]

- a. Did Festival Hydro test any other variables such as population or economic indicators in its Power Purchased regression model? If so, what were the results? If not, why not?
- b. Which variable(s) in the Power Purchased Model is capturing the impacts of CDM, as stated on page 20?

### **3-SEC-24**

[Ex. 3, Table 3-16] Please confirm that the kW/kWh ratios shown at the bottom of Table 3-16 are not shown correctly for each class, and that the correct class ratio was used for each class.

### **4-SEC- 25**

[Ex. 4, Appendices 2-JA, 2-JD, and 2-K]

- a. Please correct the information shown in 2-JA, columns T to W, lines 18 and 20, which should show total OM&A.
- b. Please update Appendices 2-JA, 2-JC, 2-JD and 2-K for 2024 actuals year to date and provide actuals for the same point in 2022 and 2023.
- c. Please provide the planned OM&A for 2016 to 2023.

#### **4-SEC-26**

[Ex. 4, Appendix 2-M]

- a. Please provide details on the work that was performed, the cost and the year for the \$136,460 shown in cell E17.
- b. Please provide details on the work included in the forecasted \$138,540 in cell F17.

#### **4-SEC-27**

[Ex. 4, p. 13] Please provide a list of software that has moved from an in-house capital asset to a cloud-based solution, in the years 2015-2025.

#### **4-SEC-28**

[Ex. 4, p. 21 and 29]

- a. ERP software is included in Festival Hydro's capital plan as an asset at \$875k for 2024 and 2025. Please explain the increase in Software Support and Maintenance Costs for Software as a Service related to the planned ERP software.
- b. CIS upgrade was also included in Festival Hydro's capital plan as an asset in 2022 and 2023. Festival Hydro explained the increase in Customer Service, Billing, Collecting and Software from 2023 to 2025 as partly due to the billing function being outsourced, which increased contract labour and additional funds for CIS hosting, whereas the previous solution was on premises and an additional billing position.
  - i. Please explain what is meant by the CIS not being on premises when it is an asset of Festival Hydro.
  - ii. Please explain why Festival Hydro outsourced billing when it was more expensive.
  - iii. Please explain why Festival Hydro is hiring an additional billing resource when it outsources billing.

#### **4-SEC-29**

[Ex. 4, p. 27, Appendix 2-K]

- a. Performance Pay was introduced in 2023 for the Executive Leadership Team. Please provide the details for the determination of the amount of performance pay for 2023 to 2025.
- b. What amount of performance pay was included in 2023, and what has been forecasted for 2024 and 2025 in Appendix 2-K?

#### **4-SEC-30**

[Ex. 4, p. 20, Appendix 2-K]

- a. Please explain the increases in compensation/FTE from 2023 to 2024 for Management (21%) and Non-management (15%).
- b. Please provide copies of the internal compensation review for non-union staff and the external compensation review for executive staff, which the evidence refers to.

- c. Please provide the number of vacancies in each year for 2015 to 2023.

#### **4-SEC-31**

[Ex. 4, p. 48] Which employees does FHI share with the affiliate FHSI and what is the percentage of time each employee spends with each company?

#### **4-SEC-32**

[Ex. 4, Appendix 2-JD]

- a. Please provide details on which USoA account Festival Hydro records its locate costs and totals spent each year between 2015 and 2023.
- b. What amount is forecasted for locates in 2024 and 2025?
- c. Please confirm that Festival Hydro is not requesting use of the generic Getting Ontario Connected Act account established by the OEB.

#### **5-SEC-33**

[Ex. 5, p.11, Appendix 2-OB] For the new loan Festival Hydro plans to take out effective January 1, 2025:

- a. Please reconcile the term as Exhibit 5 says 10 years while Appendix 2-OB says 25 years.
- b. Please explain why the interest rate for the planned December 31, 2024 \$5M swap loan is 4.02%, and for the January 1, 2025 loan of \$5M is 6.05%.
- c. Did Festival Hydro investigate obtaining one loan instead of two, with the lower interest rate? If so, please provide details.

#### **6-SEC-34**

[Ex. 6, p .21 and Ex. 8, Table 8-10] Exhibit 6 states that “FHI has not proposed any new specific service charges or incorporated new rates or rules that would impact Other Revenue.” Table 8-10 shows that the charges for Service Call – Customer Owned Equipment and Service Call – After Regular Hours are proposed to go from \$30 and \$165 respectively to Time & Materials. Below Table 8-10 (p.13) Festival Hydro states ‘Specific Service Charges are recorded in USoA 4225 and 5235 which are included in Table 6-13.’

- a. Please confirm that the reference should be to Table 6-16 and the USoA reference should be 4235, Miscellaneous Revenue. Please explain the reference to USoA 5235.
- b. Please explain why the change from a fixed charge to Time & Material would not impact Other Revenue.
- c. Please provide any analysis done to determine what the revenue would be from these Time & Material charges.

#### **7-SEC-35**

[Ex. 7, Tables 7-2 and 7-4] Please provide the backup data and analysis that was used to calculate:

- a. Weighting Factor for Billing and Collection in Table 7-2
- b. Weighting Factor for Meter Reading in Table 7-4, specifically the 22.89.

**8-SEC-36**

[Ex. 8, Table 8-5] Please explain why Festival Hydro has proposed to increase the Monthly Service Charge for the classes, GS < 50 kW, GS 50 to 4,999 kW, Large Use and Unmetered Scattered Load, above the Fixed Charged Ceiling from the Cost Allocation Model given by the OEB’s guidance to not increase fixed charges above the ceiling.

**8-SEC-37**

[Ex. 8, Table 8] Some of the numbers in Table 8.23 do not agree with the Bill Impact Model. For example, for GS > 50 kW Distribution, Table 8.23 shows 5.54% and the Bill Impact Model shows 2.34%. Please explain and update as required.

**8-SEC-38**

[Ex. 8, Table 8-8] The application states “FHI has amended the RTSR for gross load billing” Please provide details of the changes that were made and the impact on the two customers. Please provide details of any communications Festival Hydro has had with the two customers who will be affected by this change.

**9-SEC-39**

[Ex. 9, Table 9-5] Footnote 2 on page 6 of the Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications states that “The previous \$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million still applies to other applications of the materiality threshold, e.g., DVAs, Z factor and eligible investments for the connection of qualifying generation facilities.” Table 9-5 shows that, each of the annual entries for the OEB Cost Assessment DVA subaccount is less than \$50,000.

- a. Please explain why Festival Hydro believes these balances should be approved for disposition given the annual amounts are below its materiality threshold.
- b. Since Festival Hydro chose to defer its rebasing from 2020 to 2025, please explain why it should recover the funds recorded in this subaccount for the years 2020 to 2024.

Respectfully, submitted on behalf of the School Energy Coalition on July 5, 2024.

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Jane Scott  
Consultant for the School Energy Coalition